



Santa Barbara County Blue Ribbon Budget Task Force

William Kimsey, Chair

Jack Boysen

Judith Hopkinson

Parker Montgomery

William Watkins

Jason Stilwell, Ph.D., Study Director

**2005 - 2006
Report and Recommendations**

TABLE OF CONTENTS

Introduction and Overview:	3
STATE OF THE COUNTY’S BUDGET: CONTEXT AND CHALLENGES	5
SUMMARY OF TASK FORCE RECOMMENDATIONS	10
STRATEGY FOR FUNDING FUTURE DEMANDS	22
Instruments for Implementing Plan Priorities	22
Santa Barbara County Policy Model	23
Strategic Considerations: The County Policy Model and Task Force Recommendations	26
TASK FORCE DETAILED RECOMMENDATIONS	29
Revenue Enhancement	29
Operational Efficiencies	35
Process Improvements	49
IMPLEMENTATION OF RECOMMENDATIONS	56
ACKNOWLEDGEMENTS	57
ANALYSIS AND DISCUSSION	59
STATISTICAL SECTION	68

Introduction and Overview: The Santa Barbara County Blue Ribbon Budget Task Force

The Board of Supervisors entered 2005 seeking methods to investigate budget practices, enhance revenue, and implement operating efficiencies and process improvements. One of the best practice methods was to form an objective panel of qualified residents to review County processes and operations for improvement opportunities

GOALS AND FOCUS AREAS

On May 3, 2005 the Board of Supervisors created the Blue Ribbon Budget Task Force (Task Force). The Task Force was designed to consist of five individuals with business expertise and a willingness to bring that expertise to the County as community service. The broad goals of the Task Force were to identify budgeting best practices in both the public and private sectors that could be applied to internal and external County budget processes, make the County budget process more transparent, and promote greater participation from the public. The Board emphasized the goals were designed to give the Task Force direction while ensuring that the Task Force had the flexibility and authority to examine areas that could benefit from the Task Force members' past experience, knowledge, and expertise.

In pursuing the broad goals, the Board suggested that the work of the Task Force be organized within five focus areas: 1) the proposed budget document, 2) relating budget allocation to County goals and objectives, 3) budget development schedule, 4) process improvement, and 5) budget division roles. The Task Force completed a review of the five areas and near the completion of its review the Task Force determined that its recommendations could be categorized into three broad categories – revenue enhancement opportunities, operational efficiencies, and process improvements.

APPOINTEES

On June 7, 2005 the Board of Supervisors approved five individuals to serve on the Task Force. One individual was appointed by each Supervisor. They are:

- First District – William Kimsey
- Second District – Judith Hopkinson
- Third District – Parker Montgomery
- Fourth District – William Watkins
- Fifth District – Jack Boysen

MEETINGS

The Task Force was appointed on a schedule that permitted the members to monitor and be involved in the County's 2005-2006 budget adoption process. The members of the Task Force were presented budget materials and video recordings of the budget hearings.

The first formal meeting of the Task Force was June 30, 2005. The Task Force generally met every other Friday at the County Administration building in Santa Barbara. The final

meeting of the group was March 31, 2006. Details of this process and a list of those who attended or assisted the Task Force are included on page 57 of the discussion and analysis section of this report.

The Task Force was a Brown Act committee and as such advertised meetings and posted meeting agendas at least seventy-two hours before each meeting. All meetings were open to the public. Agendas and meeting summaries, as well as some supporting material, are available online at:

<http://www.countyofsb.org/cao/budgetresearch/blueribbonbudgetteam.asp>

We would like to thank the County of Santa Barbara Board of Supervisors for their innovation and progressive strategy in bringing together a resident group to review the County's budget and processes. It has been our pleasure to volunteer over the past nine months, meeting with County staff from a variety of departments and reviewing all pertinent documents for a genuine look at County operations.

STATE OF THE COUNTY’S BUDGET: CONTEXT AND CHALLENGES

When examining Santa Barbara County’s budget, it is important to understand its underlying structure. The County’s \$693 million budget is highly dependent on Federal and State revenue that is designated for specific purposes and spending restrictions that dictate, through mandates and other requirements, how locally generated revenues can be spent. As a result, the locally elected Board of Supervisors has some discretion over the allocation of only about a quarter of the County’s overall budget. Much of the Board’s discretion, of even this small portion of the budget, is strictly constrained by match requirements, funding certain mandated programs, or debt service. The majority of the budget finds the County primarily serving as the “retailer” of Federal and State programs with little discretion on how these intergovernmental revenues are spent.

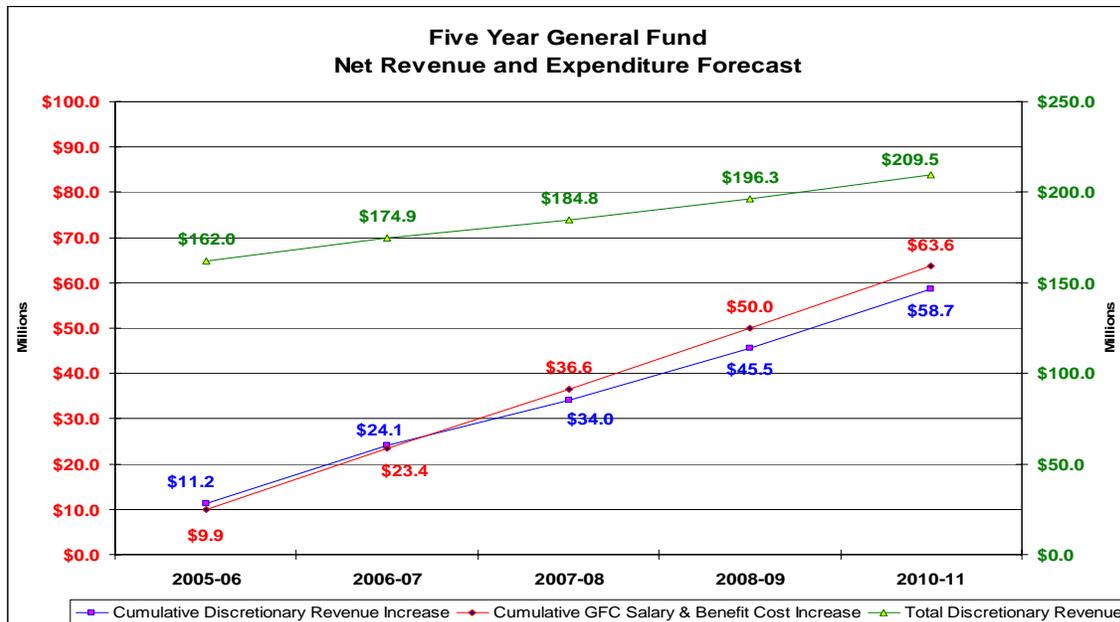
Substantively, the County faces four budget challenges. These are 1) a potential structural deficit, 2) expenditure growth, 3) external factors, and 4) capital investment needs.

CHALLENGE ONE: POTENTIAL STRUCTURAL DEFICIT

Without intervention, the County will have structural budget deficits. Alternatives to the status quo must be pursued if the County is to be able to continue providing quality services and meet its financial obligations into the future.

Discretionary revenue is not projected to grow as quickly as the associated expenditures. The County has prepared Chart 1 that depicts these revenues and forecasts. It shows an initially small but growing permanent gap.

Chart 1



Two primary subsets of the total discretionary revenue are cumulative discretionary revenue and the cumulative General Fund Contribution (GFC) salary and benefit cost increase. While the cumulative discretionary revenue shows an increase, the cumulative GFC salary and benefit increases are greater.

As depicted on Chart 1, without intervention the County is projecting to enter a structural deficit in fiscal year 2007-2008. Structural deficits occur when the government spends more than it takes in regardless of economic cycles.

The County is not permitted to adopt a budget that is in deficit. Any projected deficit would have to be eliminated via spending cuts and revenue increases before a budget could be adopted.

By way of context, the top (green) line shows total discretionary revenue is projected to grow over the five year period. Chart 1 depicts only the local discretionary (true General Fund) portion of the total \$693 million budget.

CHALLENGE TWO: EXPENDITURE GROWTH

County expenditures increased significantly in recent years. Chart 2 demonstrates the County’s budget expenditures grew 38% from 1999-2005 while the General Fund Contribution (GFC) increased 35%. Over this six year period the total average County expenditures were \$563,813,740 and the County (GFC) averaged \$135,641,840.

Chart 2

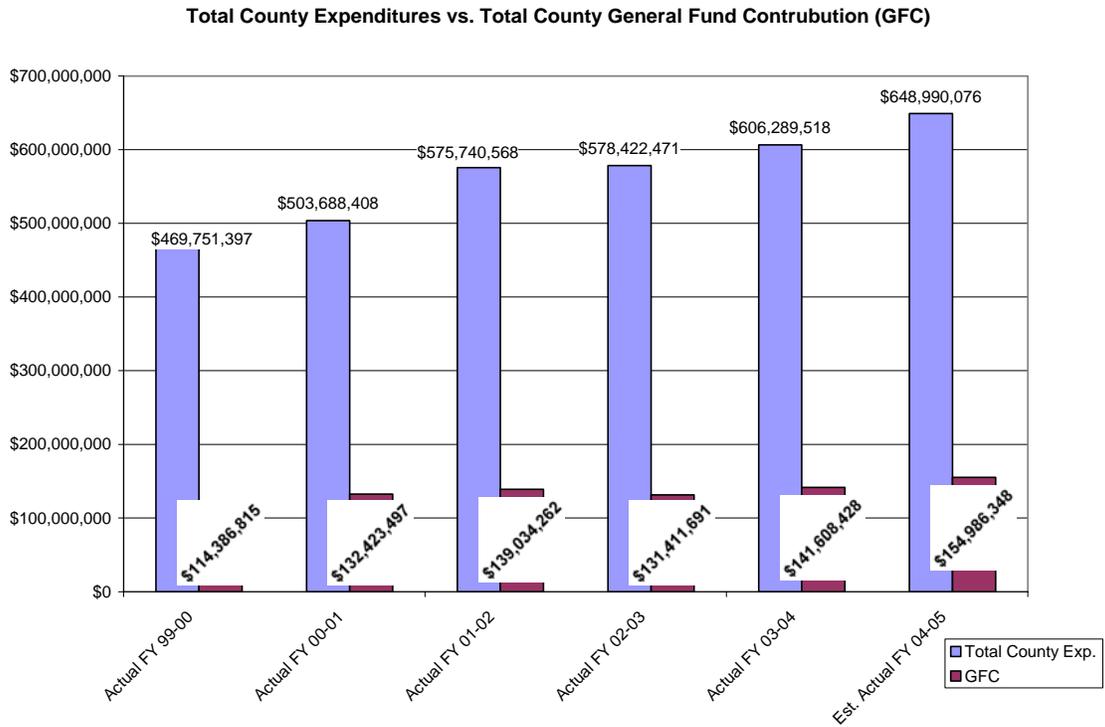


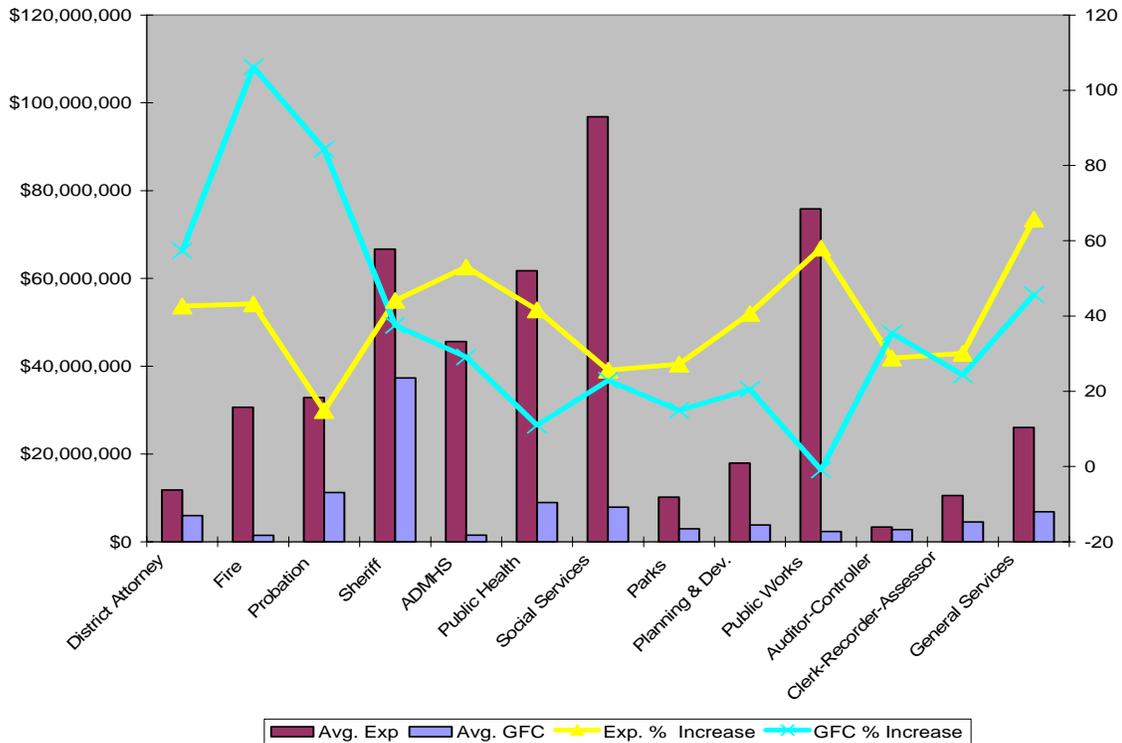
Chart 3 compares this local revenue growth to the growth of the County’s largest departments. The average departmental expenditures, over the period 1999-2005, are included as the left (maroon) bar for each department while the average GFC to each department is included as the bar on the right (purple). For example, the District Attorney averaged approximately \$12 million in total departmental expenditures over the period with an average of approximately \$6 million from GFC.

The lines on chart 3 depict the percentage change in total departmental expenditures (the yellow line) and percentage of GFC increase (aqua line). Again, using the District Attorney department as an example, the yellow line shows the Department’s total expenditures grew 43% while the Department’s GFC grew 57%.

The Fire Department had the largest growth in GFC. The Public Works Department total expenditures grew 58% however the Department had a negative GFC growth between 1999-2005.

Alcohol, Drug, and Mental Health Services (ADMHS), Public Works and General Services had the largest growth in departmental expenditures. This growth includes net growth as well as growth resulting from departmental reorganizations. Chart 3 simply depicts changes over the period and may not indicate net department growth. The District Attorney, Fire, Probation, and Sheriff Departments had the largest growth in GFC between 1999 and 2005.

Chart 3



CHALLENGE THREE: EXTERNAL FACTORS

A number of additional challenges complicate the projections. They include likely issues on the County's horizon that will impact the budget. These challenges will likely dramatically impact the fiscal health of the County:

- Pension costs. Over the last several years the County has experienced an increase in the retirement costs associated with providing its defined benefit plan. These pension costs are likely to remain a challenge moving forward. Increasing retirement benefits in this context should be closely examined. Should investments not meet actuarial projections in future years, including as a result of market losses or increased benefits, the County's budget challenges will become exacerbated.
- Health care costs. Health care costs have risen sharply across the nation and Santa Barbara County has experienced the additional challenge of a limited number of health care providers in the region.
- Uncertain revenue streams. The County's local discretionary property tax has been robust in recent years allowing the County to maintain services; it is not likely property tax revenues will continue to grow at the recent pace. State revenues and the State's budget challenges have resulted in two budget crises for the County in recent years; California's structural budget deficit remains and this uncertainty in Sacramento poses a risk to the County's budget.
- High cost of living. Although the high property values have resulted in robust property tax revenues, this situation also poses a challenge to the County on many fronts. First, the demand for County services will continue to evolve as residents are squeezed by high housing costs. Also, the County will experience challenges in recruiting and retaining personnel necessary to provide service.

CHALLENGE FOUR: CAPITAL INVESTMENT NEEDS

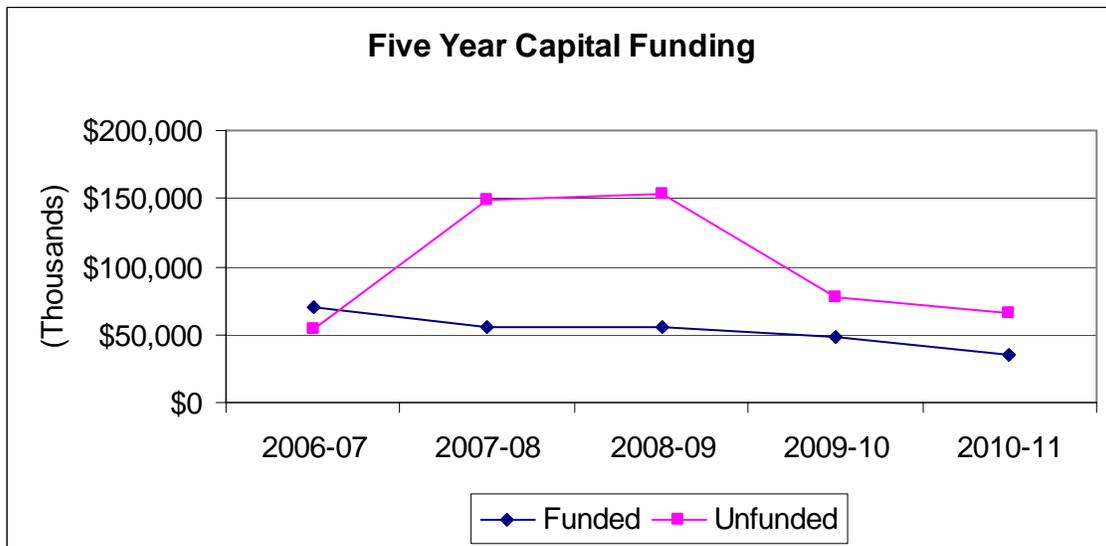
The County has not been able to fully fund capital investment nor meet certain deferred maintenance needs. This is resulting in a backlog of capital projects and deterioration of infrastructure that will pose large costs in the future.

- Capital and deferred maintenance expenses
 - New jail – the County, due to rising inmate populations and court orders, is required to provide additional inmate space. This likely will result in the County having to construct and operate a new jail facility.
 - Capital cost: \$153 million; Additional annual operating costs \$20 million
 - Road construction – the County has not had the funds to keep up with road maintenance demands throughout the County.
 - Capital cost: \$70 million; Additional annual operating costs \$12 million

- Backlog of unfunded projects – as Chart 4 depicts, over the most recent five-year capital planning horizon, the County has a higher dollar amount of unfunded versus funded projects. For example, in 2006-2007 the County anticipates it will complete approximately \$70 million in capital improvements. Yet there remains, for that year, an additional \$50 million of capital projects identified that remain unfunded.

The dollar amount of unfunded projects is higher in each of the other four years of the five-year capital funding plan. The spike in unfunded projects in 07-08 and 08-09 is the New County Jail project. If the New Jail Project were not in the equation the unfunded amount would be cut about in half in those two years. Unfunded capital projects indicate current and future unmet needs, and are included for planning purposes.

Chart 4



The County has some pointed budgetary challenges on the horizon. The Task Force believes these challenges require a strategic plan for funding these future demands. This report outlines key areas the Task Force has identified to become part of the strategy for funding the future demands.

The Task Force carefully examined the potential for gains through process improvement and operational efficiencies and believes some budgetary savings can be found in those two areas. However, the future budget challenges exceed the relief offered by these sources alone. The County must find additional revenue sources if it is to meet its capital needs and maintain the levels of service it currently provides to its citizens.

SUMMARY OF TASK FORCE RECOMMENDATIONS

The Blue Ribbon Budget Task Force (Task Force) was created by the Santa Barbara County Board of Supervisors on May 3, 2005 for the purpose of examining the County's budget and offering suggestions for improving budgeting practices leading to improving the County's overall financial picture. The County of Santa Barbara Board of Supervisors is focused on creating efficient, accountable, and customer-focused governance in Santa Barbara and consistently seeks innovative means for creating efficiencies, streamlining processes, and providing excellence in service delivery to a diverse community.

The Task Force has welcomed the opportunity to serve the community of Santa Barbara and commends the Board for their insight and progressive strategic thinking in convening a resident group to review the County's budget, organizational structure, processes, and its Strategic Scan efforts. Based on its review, the Task Force is offering the Board a number of recommendations for improving overall County governance.

This report surfaces a number of organizational issues that provide the County with significant opportunities to improve operational and policy coordination, increase oversight by the County Executive Office, and to realize greater efficiencies and economies in County government. Santa Barbara County has the resources and leadership to implement the recommendations. With the creation of a County Executive Office structure, the Board put in place a means for successfully addressing the issues raised in this report.

It is strongly recommended that the County Executive Officer have the organizational responsibility for County business and be provided with the staffing resources necessary to create and implement countywide organizational efficiencies, increase the effective use of technology, and create a culture throughout the County focused on quality and economical service delivery. The Task Force strongly recommends the Board of Supervisors direct the County Executive Officer and require all Department Directors to implement these recommendations and return to the Board in the future to report periodically on the implementation progress.

The Task Force supports the County's strategic scan process to highlight emerging issues and challenges and supports the County's policy model as a structure to implement County plan priorities and legislative policy direction. A formally adopted strategic plan would help further refine and define legislative policy direction.

Summary of Findings and Recommendations

The County is currently facing significant financial challenges that are likely to become exacerbated in the future. These challenges highlight the need for identifying and employing revenue-generating strategies. The immediate challenge facing the County is identifying and implementing strategies to fund local priorities through a budget that is significantly constrained by earmarked revenues and expenditures that are growing faster

than are revenues. Future financial challenges include the rising costs of providing services, increasing capital needs, and continuing financial uncertainty from the State of California.

The Task Force has closely examined the County's budget and certain operations and processes and, as a result, has developed a number of observations and recommendations and a series of potential actions for the Board of Supervisors' consideration. Several areas have received an in-depth analysis by the Task Force and the details of each area examined are contained in the body of this report. This Executive Summary contains a summary of the Task Force's twenty recommendations. In general, there are three broad categories that link to County budget challenges: 1) Revenue Enhancements, 2) Operational Efficiencies, and 3) Process Improvements. While the Task Force provides important recommendations in each category, it is the belief of the Task Force that significant revenue enhancements are critical for the County to meet its projected expenditures.

REVENUE ENHANCEMENTS

Any organization needs to actively pursue revenue enhancement opportunities if it is going to continue to successfully function into the future. The County is no different. Santa Barbara County, like all counties in California, is highly dependent on the State for funding. However, the local discretionary revenues available to the County are often what enable Santa Barbara County to provide levels of service expected by the community.

The Task Force encourages the County to cultivate local revenues and seek opportunities to enhance revenues where appropriate.

1. CERTAIN ECONOMIC DEVELOPMENT ACTIVITIES HAVE THE POTENTIAL TO BE REVENUE ENHANCEMENTS FOR THE COUNTY. THE TASK FORCE RECOMMENDS THE FOLLOWING ECONOMIC DEVELOPMENT ACTIVITIES BE PURSUED AS PART OF A REVENUE ENHANCEMENT STRATEGY

- a. Support development consistent with community needs and standards to increase revenue greater than the cost for the County to provide services
 - Certain land uses generate significantly more revenue than the cost for the County to provide services
 - The County should study the net financial impact of certain development, should pursue those that are net positive revenue generators, and that are consistent with community needs and standards
 - The County should balance the economic development activity with consideration of the human needs of the County's citizens

- Isla Vista and Orcutt community plan activities and redevelopment proposals are examples of revenue-generating land uses

See page 29 for a detailed explanation of this recommendation

b. Explore the financial benefits from future low impact oil development

- The County may financially benefit from oil development
- The County should pursue legislation that would enable it to financially benefit from new oil developments or permits
- Any oil-related revenue should be invested in one-time expenditures

See page 30 for a detailed explanation of this recommendation

c. Pursue the Village Center concept

- This concept is included in the Strategic Scan
- The Village Center concept may provide a viable option for new housing, generate revenue, and complement the County's character

See page 30 for a detailed explanation of this recommendation

d. Identify and seek revenue-generating land uses

- For local governments in California, sales, use and transient occupancy taxes are significant contributors to a healthy local discretionary tax base
- The County should set up a process to identify existing and potential land uses that would enhance these local discretionary revenues.
- The County should work with landowners or developers to enhance or encourage such land uses that are appropriate to the surrounding land uses

See page 31 for a detailed explanation of this recommendation

2. DEVELOP A BIENNIAL REVIEW PROCESS FOR ALL DISCRETIONARY FEES TO ENABLE THE COUNTY TO FULLY RECOVER ALL COSTS

- The review should provide the Board with an analysis that links the recommended fee with full cost recovery
- The Board can make the policy decision to set the fee at the full cost recovery rate or at a different rate
- The Task Force suggests the Board pursue full cost recovery whenever viable or possible

See page 32 for a detailed explanation of this recommendation

3. SYSTEMATICALLY IDENTIFY REVENUE ENHANCEMENT OPPORTUNITIES

- Implement a system by which departments are encouraged to identify revenue enhancement opportunities
- Both general fund and non-general fund departments should seek revenue enhancement opportunities

See page 32 for a detailed explanation of this recommendation

4. ASSURE LAND USE AGREEMENTS PRESERVE COUNTY REVENUE

a. Proactively pursue agreements to avoid losing revenue-generating land uses to annexation

- One option is to work with cities adjacent to the particular land use to develop intergovernmental agreements to preserve a revenue stream to the County
- A second option is to use deed restrictions or other similar agreements between the landowner and the County that encumber or run with the property
- Annexations should not necessarily be discouraged. However, if the County pursues a policy of seeking revenue generating land uses then it should also seek agreements to minimize the risk of an abrupt or unanticipated loss of these revenues

See page 32 for a detailed explanation of this recommendation

b. When reacting to a request for annexation, the County should negotiate tax exchange agreements that preserve property tax revenue for countywide services

- The County continues to have responsibility for serving an area even after it is annexed by a municipality
- The Board should enter into tax exchange agreements that allocate property taxes to the County General Fund

See page 33 for a detailed explanation of this recommendation

5. CONSIDER PURSUING AN INCREASE IN THE TRANSIENT OCCUPANCY TAX RATE FROM 10% TO 12% TO INCREASE LOCAL DISCRETIONARY REVENUE

- By comparison and as a potential gauge of voter sentiment, in 2000, the City of Santa Barbara voters overwhelmingly approved an increase in the City's transient occupancy tax rate from 10% to 12%
- As part of its review and study of the issue, the Board of Supervisors should determine the specific use of the funds
- The Task Force recommends the funds be available as general revenue. As such, approval of the increase would require a simple majority vote of the people

See page 34 for a detailed explanation of this recommendation

OPERATIONAL EFFICIENCIES

The creation, by the Board of Supervisors, of the position of County Executive Officer was an excellent step toward improving operational efficiencies in the County. The County Executive Officer is best able to work with the Board on policy development, coordinate the departments' implementation of policy direction, and have authority for the County's operations.

Creating this structure is a good first step in achieving these goals. The Task Force finds there are significant opportunities for further enhancing operational efficiencies through the County Executive Office structure.

6. IMPROVE THE COUNTYWIDE INFORMATION TECHNOLOGY STRUCTURE AND SERVICE

a. Identify the County's overall technology investment

- The County makes a significant investment in technology
- Technology spending should be better coordinated

See page 35 for a detailed explanation of this recommendation

b. The County needs an overall information technology management strategy and structure that reports to the County Executive Officer

- The County needs an overall information technology strategy
- Create an information technology leadership to complement department expertise

See page 36 for a detailed explanation of this recommendation

c. Enhance the County Executive Officer's close oversight of all enterprise-wide information technology projects and systems

- The County Executive Office needs to have close and direct oversight of major information technology projects
- The County should have one central organizational structure responsible for all enterprise information technology systems (such as FIN, purchasing, project reporting, budgeting, and HRIS)

See page 36 for a detailed explanation of this recommendation

d. Clarify and strengthen the County's information technology governance structure to allow projects and processes to be implemented in a coordinated fashion

- The County should develop a project management capability in Information Technology Services
- The roles of the County's information technology bodies (ISAC and ITAC) should be clarified and strengthened

See page 37 for a detailed explanation of this recommendation

e. Expand the use of technology to provide improved services both within the organization and externally to customers and clients

- Seek e-government solutions that enhance customer service and County efficiency in providing service
- For example, the County has developed a secure payment processing function for web transactions that can be utilized to a greater extent

See page 37 for a detailed explanation of this recommendation

f. Develop strategic information technology plans for every County department

- Department plans would allow the County Executive Office to prioritize projects countywide

See page 38 for a detailed explanation of this recommendation

7. CONDUCT PERIODIC IN-DEPTH DEPARTMENT REVIEW AUDITS TO ENSURE ONGOING OPERATIONAL AND STRUCTURAL EFFICIENCY

- The Task Force supports the County Executive Officer periodically reviewing departmental operations
- The reviews should be conducted for each department at least every five years and focus on operational efficiency and effectiveness

See page 38 for a detailed explanation of this recommendation

8. SCRUTINIZE PROGRAMS THAT ARE FUNDED ABOVE THE MINIMUM MATCHING REQUIREMENT AND SPECIFICALLY AUTHORIZE ANY APPROPRIATION OVER THE REQUIRED MATCH TO AVOID INADVERTENTLY SPENDING MORE LOCAL DISCRETIONARY REVENUE THAN NECESSARY ON PROGRAMS

- The Board may be unnecessarily allocating discretionary funds by funding programs above the required amount
- Analyze the benefit of additional expenditure above the minimum required
- Programs should not be funded above the minimum match requirement unless specifically authorized by the Board
- The Board of Supervisors should closely scrutinize grants, matching programs or similar programs that fully fund a service for a period of time and subsequently require the County to provide full funding of the program

See page 39 for a detailed explanation of this recommendation

9. STUDY THE OPTION TO SELL OR LEASE EXCESS AND UNDER UTILIZED REAL PROPERTY

- Certain real property owned by the County may be under utilized, not necessary for County needs, or leased to other entities, that are not part of the core County mission, at below market rates

- The County should study its real estate holdings and determine which land is surplus, under utilized, or not a necessary County component and consider selling or leasing such property
- Proceeds from property sales should be earmarked for one-time expenses or capital improvements

See page 39 for a detailed explanation of this recommendation

10. TO PROVIDE BETTER CUSTOMER SERVICE, EVALUATE RELOCATING SERVICES CLOSER TO CUSTOMERS, CLIENTS AND WORKFORCE

- The County's population and service base is shifting to the northern portion of the County
- Examine the feasibility of shifting facilities and employees closer to client and customer bases
- This shift could potentially enable the County to realize economic efficiencies

See page 40 for a detailed explanation of this recommendation

11. DEVELOP A WORKING PARTICIPATION BY THE COUNTY EXECUTIVE OFFICER IN THE OPERATIONS, BUDGET, AND EXPENSE ACTIVITIES OF THE PROBATION DEPARTMENT

- The budget of the Probation Department has increased from \$18.8 million in 1996-1997 to over \$37.6 million in 2005-2006
- The general fund allocation to the Probation Department has grown both in terms of dollars and percentage of the total Probation Department uses of revenue
- Analyze the reasons for this budget growth and review the cost effectiveness of the adult misdemeanant program

See page 40 for a detailed explanation of this recommendation

12. INCREASE THE ABILITY TO OUTSOURCE COUNTY FUNCTIONS

- The Task Force finds that opportunities for outsourcing could potentially be enhanced by modifying the existing privatization criteria
- The current policy does not facilitate the ability of the County to consider outsourcing certain services as a viable option

See page 42 for a detailed explanation of this recommendation

13. STAFFING AND RELATED COSTS COMPRISE THE BULK OF THE COUNTY BUDGET. TO CONTINUE TO HAVE A QUALITY WORKFORCE THE COUNTY MUST UPDATE AND IMPROVE THE COUNTY HUMAN RESOURCES FUNCTION

The human capital challenges facing the County require speed, responsiveness, innovation and strategies that assist the County and its departments in meeting their business objectives while managing costs. Key focus areas are recruitment and retention, healthcare, retirement, implementation of technology and re-design of HR business systems such as classification and compensation.

a. Strengthen the CEO's Human Resources Department's strategic planning efforts to accomplish key objectives tied to thoroughly addressing human capital challenges in the areas of recruitment and retention of a talented workforce and financial planning for any new or enhanced compensation and benefits strategies for the purpose of controlling costs

- The County will be facing a severe challenge in hiring and retaining employees
- Housing costs exacerbate recruitment challenges
- The County should strategically examine human resources trends to improve its ability to compete for employees in the marketplace

See page 43 for a detailed explanation of this recommendation

b. The Task Force supports the CEO's Human Resources Department's efforts to control health care costs through consumerism or other viable approaches and cost-containment strategies

- Nationwide health care costs rise annually in the double-digits causing employers to seek creative and extraordinary means for controlling and/or reducing the cost of health care
- Health care costs are a significant issue the County will have to address and extraordinary efforts will need to be undertaken to control health care costs
- The County and its employees are collaboratively engaged in reviewing the design and associated costs of the County's current health plans to develop effective strategies for managing costs
- Recommendations will ultimately be made to restructure the County's health plans including the number of plans offered, the types of benefits offered within the plans, co-pay structure, prescription drug management and a consumerism strategy
- The Board is encouraged to continue its support efforts currently underway to control health care costs

See page 44 for a detailed explanation of this recommendation

c. Continue to explore and implement means of addressing the recruitment and retention workforce challenges facing Santa Barbara County

- The Task Force discussed a number of opportunities that the County should consider as it seeks to enhance recruitment and retention efforts
- Opportunities may include: improving job quality, telecommuting, job flexibility, satellite work sites, housing policies, and hiring incentives

See page 44 for a detailed explanation of this recommendation

d. Provide an integrated Human Resources Information System (HRIS), to better manage workforce data

- The County needs an information system to manage workforce data and support strategic decision making

See page 45 for a detailed explanation of this recommendation

e. Complete the work being done by the CEO's Human Resources Department to modernize classification and compensation structures and performance management systems

- The County's business systems no longer provide the flexibility and versatility needed to be effective, competitive, and responsive

See page 46 for a detailed explanation of this recommendation

f. In order to control the cost of retirement, complete efforts to review retirement system alternatives and potential cost-containment measures

- Complete PERS actuarial valuations
- Complete review of retirement system by an outside actuary
- Explore means for reducing retirement costs
- Evaluate the calculation of "excess earnings" to determine whether the methodology used by the Retirement System conforms with and is required by Retirement Law
- Establish a funding agreement between the Board of Retirement and the County for the use of so called excess earnings

See page 46 for a detailed explanation of this recommendation

14. COMBINE AND COORDINATE SERVICES WITH OTHER JURISDICTIONS WHEN FEASIBLE TO TAKE ADVANTAGE OF POTENTIAL ECONOMIES OF SCALE, IMPROVE SERVICE TO THE PUBLIC AND REDUCE MULTI-JURISDICTIONAL SERVICE OVERLAP

- The County should seek opportunities to provide services to other governments; an example is fire protection services now provided to the Cities of Buellton and Goleta
- The County should seek opportunities to have other jurisdictions provide County services when possible; for example, some of the County's "municipal-type" services may be better performed by a city via contract with the County

See page 48 for a detailed explanation of this recommendation

PROCESS IMPROVEMENTS

The County has the opportunity to proceed with several process improvement initiatives. There are certain processes that are highly fragmented, such as purchasing and information technology, and others that are adequate but which could be enhanced to allow more strategic planning and citizen involvement.

15. THE COUNTY BUDGET PROCESS CAN BE AUGMENTED IN FOUR WAYS TO IMPROVE OR ENHANCE THE PROCESS

- a. The total budget should be part of the County's overall strategic mission
- All discretionary money spent by the County should go through priority and strategic processes and reviewed by the County Executive Officer
 - Examples include Tobacco Settlement Advisory Committee (TSAC) funds, the Human Services Commission, Coastal Resource Enhancement Fund, and homeland security grants

See page 49 for a detailed explanation of this recommendation

- b. As a prelude to the budget process, continue holding public hearings on the strategic scan and developing strategic priorities

- Hold annual public hearings prior to the budget process to provide an opportunity for the Board to outline its strategic priorities
- The County Executive Officer should prepare a budget that targets those priorities

See page 49 for a detailed explanation of this recommendation

- c. Maintain an updated budget reduction model at all times to ensure readiness and responsiveness should budget cuts become necessary

- The budget reduction model was developed based on a specific threat of losing state funding
- It is a valuable tool for maintaining a state of preparedness for unforeseen revenue losses and provides a systematic way to accommodate such a challenge

See page 50 for a detailed explanation of this recommendation

- d. Systematically set aside funds for capital investments

- The Board should enact a policy that puts a specific percentage of General Fund and other available revenues into a designated capital reserve
- An example would be to set aside a minimum of 2% of General Fund Revenue which would designate approximately \$3.4 million annually for capital projects

See page 50 for a detailed explanation of this recommendation

16. IMPLEMENT AN ENTERPRISE SYSTEM TO MONITOR CITIZEN COMPLAINTS AND COMMENTS

- The County should develop and implement an automated system that allows employees to log citizen comments and complaints
- Such a system would provide rich data for determining constituent needs, the quality of service the County provides, and valuable information for planning purposes

See page 51 for a detailed explanation of this recommendation

17. ASSURE THE COUNTY EXECUTIVE OFFICER HAS A SYSTEM TO OVERSEE AND REVIEW THE COMPLETION OF ALL COUNTYWIDE PROJECTS

- The County devotes significant resources to projects and it is imperative these projects are closely monitored to assure they are completed on schedule and within budget
- Assure the Project Reporting System remains a viable tool for monitoring projects and early detection of potential challenges
- The system should include all projects and focus on budget, schedule, unforeseen issues, and policy issues for consideration
- The Board of Supervisors should adopt an ordinance giving the County Executive Officer authority and responsibility to oversee all County projects

See page 51 for a detailed explanation of this recommendation

18. IN ORDER TO ENHANCE LAND USE REVENUE OPPORTUNITIES, CONTINUE TO IMPROVE THE LAND USE REGULATORY PROCESS

- The County land use regulatory process needs to be fair, reasonable, and helpful
- This does not mean degradation of the environment but efficient, fair processing within community-set standards

See page 52 for a detailed explanation of this recommendation

19. THE COUNTY NEEDS TO ASSURE GENERAL SERVICES IS INVOLVED IN CONSTRUCTION PROJECTS

- The Task Force recommends varying levels of involvement by General Services depending on the size and dollar amount of the project

See page 52 for a detailed explanation of this recommendation

20. COUNTYWIDE PURCHASING POWER IS NOT EFFECTIVELY USED TODAY. PURCHASING IS VERY DECENTRALIZED AND INEFFICIENT, RESULTING IN SIGNIFICANT RESOURCES BEING WASTED. THE COUNTY PURCHASING PROCESS CAN BE IMPROVED IN CERTAIN WAYS TO BE LESS FRAGMENTED AND CAN BE IMPROVED BY REVISING THE LIMITS OF CERTAIN PURCHASING DECISIONS

a. To expand competition and fairness, the County needs to make certain changes relating to the purchase of tangible goods

- The Task Force has outlined four specific recommendations to change the County's purchasing policies relating to the purchase of tangible goods

See page 53 for a detailed explanation of this recommendation

b. The County should work more closely to take advantage of its overall buying power

- The County has a fragmented system of purchasing
- Centralized purchasing would enhance the County's purchasing power likely resulting in economies of scale and bulk discounts

See page 54 for a detailed explanation of this recommendation

c. The County needs to make certain changes relating to the purchase of services

- The Task Force has three specific recommendations for changing the County's purchasing policies relating to the purchase of services

See page 54 for a detailed explanation of this recommendation

d. The County needs to make certain changes relating to countywide purchases

- The Task Force has five specific recommendations for changing the County's purchasing policies relating to countywide purchases

See page 54 for a detailed explanation of this recommendation

e. Implement database tracking for countywide purchases

- The County's four purchasing systems should be consolidated or better coordinated to share data

See page 55 for a detailed explanation of this recommendation

STRATEGY FOR FUNDING FUTURE DEMANDS

The Task Force finds that a County strategic plan will point toward the need for an action plan requiring a combination of revenue enhancements, operational efficiencies, and strategic process improvements.

The County is at a critical juncture of being able to develop a future that will provide sufficient revenues to meet demands for service. The Board of Supervisors has embarked on a strategic scanning process that outlines opportunities for the future. The options seek to chart a plan for providing and funding projected service demands rather than simply reacting to the demands and costs of service as they arise.

The Task Force strongly supports the County's strategic scanning effort. The Task Force has examined a number of areas throughout the County – from the budget process to staffing procedures to purchasing processes. An analysis of all these areas indicates a direct link to the County's overall strategic goals. As such, the Task Force believes developing a strategic plan that links the strategic scan to the County's operations and procedures is of paramount importance.

As a result of the challenges facing the County's budget in the future, no one action by the County will enable the County to sufficiently meet these challenges – to meet these challenges the County will need to develop a number of actions that together will be the basis of the County's strategic plan.

The Task Force finds the strategic plan will require a combination of revenue enhancements, operational efficiencies, and strategic process improvements. These three areas are discussed in further detail below.

Instruments for Implementing Plan Priorities

The strategic scan identifies issues in the County's future enabling the Board of Supervisors to chart a path or be prepared to deal with potential issues. Following the strategic scan, the Board of Supervisors identifies plan priorities.

The Budget Task Force reviewed each of the components of the County's policy model and developed recommendations in three broad areas that are key to the County in meeting budget challenges

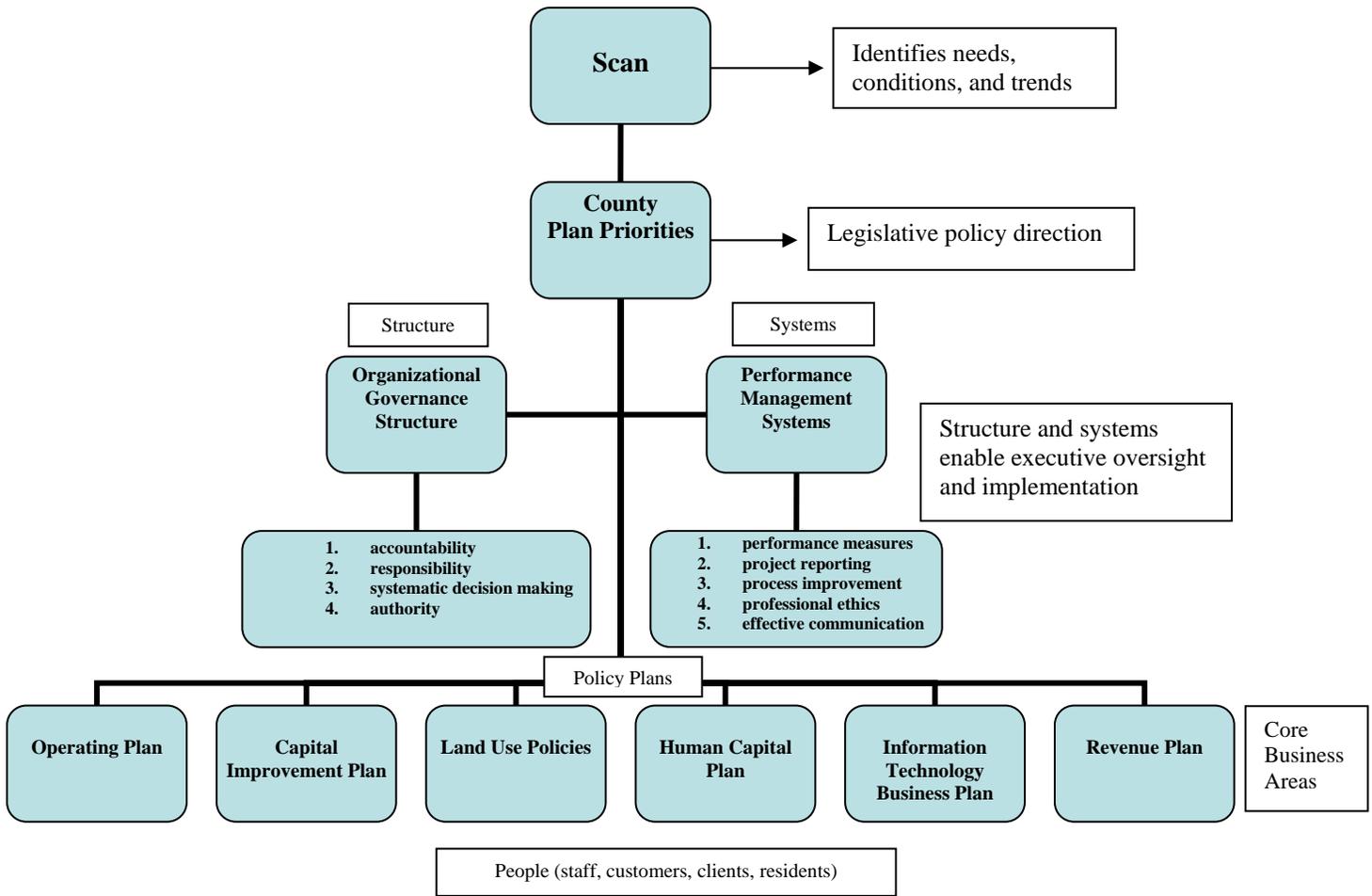
The structure and systems of the County government are vital for meeting demands and achieving objectives. The structure of the County is a Board-Executive form of government that charges the Board with prioritizing the policy demands of the citizens and the County Executive Officer with guiding the execution of policy. This structure facilitates accountability to the elected leadership and residents, responsibility for goals and objectives, a systematic approach to decision making, and authority to execute policy direction. The execution of

policy is enhanced by the County’s performance management system. It consists of five parts: performance measures to measure outcomes for ongoing activities, project reporting for monitoring activities of a certain duration, process improvements to routinely seek methods of making operations more efficient and effective, professional ethics to serve the public with high standards, and effective communication with identified lines of communications and systems of communication.

The County has six broad policy plan areas that, when coupled with the organizational structure and systems, can enable the County to achieve plan priorities. These are: the operating plan, capital improvement plan, land use policies, human capital plan, information business plan, and the revenue plan.

This graphic demonstrates the relationship between the scan, Board priorities, the County’s structure and systems, and the six policy plan areas.

Santa Barbara County Policy Model



The Task Force examined each of the components of the County’s policy model. The Task Force supports the model and the emphasis it has on policy planning and performance based policy implementation within the structure of the County Executive

organizational model. Additional discussion and analysis of the components of the County policy model is included in this report beginning on page 59.

The Task Force determined it is important to consolidate its findings and recommendations into three broad areas that best link to the needs the County has in meeting budgetary challenges. Thus the detailed recommendations that follow are grouped into the three areas described, 1) revenue enhancement, 2) operational efficiencies, and 3) strategic process improvements.

The matrix below describes the relationship between the Task Force recommendations and the components of the County’s policy model. The recommendations are listed in the left column and the County’s policy model components are listed across the top. The policy model component is the method by which the recommendations can be implemented. For example, if the Board of Supervisors wishes to implement recommendation 1a (“Support development consistent with community needs and standards to increase revenue greater than the cost for the County to provide services”), the County’s land use policies and revenue plan would be the tools to operationalize the recommendation.

How the Task Force recommendations comport to County’s policy model								
Task Force Recommendations ↓	Organizational Governance Structure	Performance Management Systems	Operating Plan	Capital Improvement Plan	Land Use Policies	Human Capital Plan	Information Technology Business Plan	Revenue Plan
Policy Model Component →								
Revenue Recommendations								
1 - CERTAIN ECONOMIC DEVELOPMENT ACTIVITIES HAVE THE POTENTIAL TO BE REVENUE ENHANCEMENTS FOR THE COUNTY. THE TASK FORCE RECOMMENDS THE FOLLOWING ECONOMIC DEVELOPMENT ACTIVITIES BE PURSUED AS PART OF A REVENUE ENHANCEMENT STRATEGY								
1a- Support development consistent with community needs and standards to increase revenue greater than the cost for the County to provide services					X			X
1b - Explore the financial benefits from future low impact oil development								X
1c - Pursue the Village Center concept					X	X		X
1d - Identify and seek revenue-generating land uses					X			X
2 - DEVELOP A BIENNIAL REVIEW PROCESS FOR ALL DISCRETIONARY FEES TO ENABLE THE COUNTY TO FULLY RECOVER ALL COSTS			X					
3 - SYSTEMATICALLY IDENTIFY REVENUE ENHANCEMENT OPPORTUNITIES								X
4 - ASSURE LAND USE AGREEMENTS PRESERVE COUNTY REVENUE								
4a - Proactively pursue agreements to avoid losing revenue-generating land uses to annexation								X
4b - When reacting to a request for annexation, the County should negotiate tax exchange agreements that preserve property tax revenue for countywide services								X
5 - CONSIDER PURSUING AN INCREASE IN THE TRANSIENT OCCUPANCY TAX RATE FROM 10% TO 12% TO INCREASE LOCAL DISCRETIONARY REVENUE								X
Operational Efficiency Recommendations								
6 - IMPROVE THE COUNTYWIDE INFORMATION TECHNOLOGY STRUCTURE AND SERVICE								
6a - Identify the County’s overall technology investment	X						X	
6b - The County needs an overall information technology management strategy and structure that reports to the County Executive Officer	X						X	
6c - Enhance the County Executive Officer’s close oversight of all enterprise-wide information technology projects and systems	X							

Task Force Recommendations ↓	Organizational Governance Structure	Performance Management Systems	Operating Plan	Capital Improvement Plan	Land Use Policies	Human Capital Plan	Information Technology Business Plan	Revenue Plan
Policy Model Component →								
Operational Efficiency Recommendations (continued)								
6d - Clarify and strengthen the County's information technology governance structure to allow projects and processes to be implemented in a coordinated fashion	X						X	
6e - Expand the use of technology to provide improved services both within the organization and externally to customers and clients		X					X	
6f - Develop strategic information technology plans for every County department							X	
7 - CONDUCT PERIODIC IN-DEPTH DEPARTMENT REVIEW AUDITS TO ENSURE ONGOING OPERATIONAL AND STRUCTURAL EFFICIENCY	X	X						
8 - SCRUTINIZE PROGRAMS THAT ARE FUNDED ABOVE THE MINIMUM MATCHING REQUIREMENT AND SPECIFICALLY AUTHORIZE ANY APPROPRIATION OVER THE REQUIRED MATCH TO AVOID INADVERTENTLY SPENDING MORE LOCAL DISCRETIONARY REVENUE THAN NECESSARY ON PROGRAMS			X					
9 - STUDY THE OPTION TO SELL OR LEASE EXCESS AND UNDER UTILIZED REAL PROPERTY				X				X
10 - TO PROVIDE BETTER CUSTOMER SERVICE, EVALUATE RELOCATING SERVICES CLOSER TO CUSTOMERS, CLIENTS AND WORKFORCE				X				
11 - DEVELOP A WORKING PARTICIPATION BY THE COUNTY EXECUTIVE OFFICER IN THE OPERATIONS, BUDGET, AND EXPENSE ACTIVITIES OF THE PROBATION DEPARTMENT.	X							
12 - INCREASE THE ABILITY TO OUTSOURCE COUNTY FUNCTIONS		X						
13 - STAFFING AND RELATED COSTS COMPRISE THE BULK OF THE COUNTY BUDGET. TO CONTINUE TO HAVE A QUALITY WORKFORCE THE COUNTY MUST UPDATE AND IMPROVE THE COUNTY HUMAN RESOURCES FUNCTION.								
13a - Strengthen the CEO's Human Resources Department's strategic planning efforts to accomplish key objectives tied to thoroughly addressing human capital challenges in the areas of recruitment and retention of a talented workforce and financial planning for any new or enhanced compensation and benefits strategies for the purpose of controlling costs	X							
13b - The Task Force supports the CEO's Human Resources Department's efforts to control health care costs through consumerism or other viable approaches and cost-containment strategies						X		
13c - Continue to explore and implement means of addressing the recruitment and retention workforce challenges facing Santa Barbara County.						X		
13d - Provide an integrated Human Resources Information System (HRIS), to better manage workforce data		X				X	X	
13e - Complete the work being done by the CEO's Human Resources Department to modernize classification and compensation structures and performance management systems		X				X		
13f - In order to control the cost of retirement, complete efforts to review retirement system alternatives and potential cost-containment measures.			X			X		
14 - COMBINE AND COORDINATE SERVICES WITH OTHER JURISDICTIONS WHEN FEASIBLE TO TAKE ADVANTAGE OF POTENTIAL ECONOMIES OF SCALE, IMPROVE SERVICE TO THE PUBLIC AND REDUCE MULTI-JURISDICTIONAL SERVICE OVERLAP		X						
Process Improvement Recommendations								
15 - THE COUNTY BUDGET PROCESS CAN BE AUGMENTED IN FOUR WAYS TO IMPROVE OR ENHANCE THE PROCESS								
15a - The total budget should be part of the County's overall strategic mission			X					
15b - As a prelude to the budget process, continue holding public hearings on the strategic scan and developing strategic priorities			X					
15c - Maintain an updated budget reduction model at all times to ensure readiness and responsiveness should budget cuts become necessary			X					
15d - Systematically set aside funds for capital investments				X				
16 - IMPLEMENT AN ENTERPRISE SYSTEM TO MONITOR CITIZEN COMPLAINTS AND COMMENTS		X						
17 - ASSURE THE COUNTY EXECUTIVE OFFICER HAS A SYSTEM TO OVERSEE AND REVIEW THE COMPLETION OF ALL COUNTYWIDE PROJECTS		X						
18 - IN ORDER TO ENHANCE LAND USE REVENUE OPPORTUNITIES, CONTINUE TO IMPROVE THE LAND USE REGULATORY PROCESS					X			
19 - THE COUNTY NEEDS TO ASSURE GENERAL SERVICES IS INVOLVED IN CONSTRUCTION PROJECTS	X							
20 - COUNTYWIDE PURCHASING POWER IS NOT EFFECTIVELY USED TODAY. PURCHASING IS VERY DECENTRALIZED AND INEFFICIENT, RESULTING IN SIGNIFICANT RESOURCES BEING WASTED. THE COUNTY PURCHASING PROCESS CAN BE IMPROVED IN CERTAIN WAYS TO BE LESS FRAGMENTED AND CAN BE IMPROVED BY REVISING THE LIMITS OF CERTAIN PURCHASING DECISIONS.								
20a - To expand competition and fairness, the County needs to make certain changes relating to the purchase of tangible goods	X							
20b - The County should work more closely to take advantage of its overall buying power	X							
20c - The County needs to make certain changes relating to the purchase of services	X							
20d - The County needs to make certain changes relating to Countywide purchases	X							
20e - Implement database tracking for Countywide purchases	X						X	

Strategic Considerations: The County Policy Model and Task Force Recommendations

ORGANIZATIONAL GOVERNANCE STRUCTURE

The Task Force finds there are some areas of County operations that would benefit from direct County Executive Officer oversight. Providing this oversight would create stronger organizational coordination, effectiveness, and accountability.

The County is essentially a Board-Executive form of government; the Board of Supervisors is elected by the voters and the Board appoints a County Executive Officer to provide a clear, logical, and accountable organization to help guide and assist in the development and coordination of countywide policy, planning and legislative initiatives, budget preparation and management, and technology improvements. In addition five departments have directors who are directly elected by the public. The County Executive Officer has a responsibility for budgetary and organizational control over these departments.

In March 2005, the Board of Supervisors created the position of County Executive Officer. A number of goals were identified and aimed at providing efficient, effective, and service-oriented government. These include identifying and providing core services with a commitment to quality and cost efficiency and procuring the best available technology to achieve service efficiencies and assist in communications, both internal and external. The County has made good strides in the past year in accomplishing these worthwhile objectives, and the Task Force has identified additional opportunities for improving overall governmental efficiency and effectiveness.

In reviewing the County's existing organizational structure and the means by which various internal services are currently provided, the Task Force found that the manner in which purchasing, human resources, and information technology services are currently being provided creates an environment in which there is duplication of efforts, redundancy, and the inability to fully realize economies of scale. The fragmented manner in which these services are provided also inhibits the CEO's ability to create and control uniform countywide policy and decision making, which ultimately impacts the financial "bottom line" for County government. The Task Force believes that consolidating these core services within the CEO's Office and/or creating greater oversight and coordination at an enterprise or corporate level is essential to the County's goal of creating greater organizational coordination, effectiveness, and accountability.

Another area that would benefit from greater CEO oversight and involvement is the Office of Emergency Services (OES), which is currently located in the Fire Department. The County's response to any significant emergency situation requires a coordinated effort between various County departments including public protection, waste management, counseling and health care services, and can require immediate access to County vehicles, equipment and other resources, the waiving of fees, and other emergency measures that may require Board approval. Because of this, the Task Force believes that the CEO's Office is the likely entity to coordinate these efforts in

emergency situations. The CEO's Office is positioned to quickly and effectively coordinate these matters with the Board, make policy decisions about the allocation of County resources, facilitate emergency Board actions, and expedite the speedy recovery from a disaster.

Based on the preceding discussion, it is this Task Force's recommendation that the County refocus enterprise functions, i.e., purchasing, human resources, information technology, and emergency management services for greater connection to, and coordination with, the CEO's Office in order to achieve greater economic efficiencies, apply an enterprise approach to managing resources and providing countywide services, and strengthen overall accountability for internal services.

PERFORMANCE MANAGEMENT SYSTEMS

The Task Force reviewed the County's system of performance management. This system entails five primary components: performance measurement, project reporting, process improvement, professional ethics, and effective communication channels.

OPERATING PLAN

The Task Force finds the County utilizes state-of-the-art budget methods in developing its operating plan. The Task Force was impressed with the County's budget processes and document and finds there are opportunities to enhance strategic decision making prior to the budget process and to enhance public input at the beginning of the budget process.

Examining the County's budget processes and documents was a top priority for the Task Force. The Task Force examined the County's budget document and budget adoption processes. It further reviewed budget practices and the methods by which performance is directly linked to the adopted program performance budget. The Task Force does not have specific recommendations regarding the County's budget or budget process. Rather, there are principles the Task Force would like to recommend for consideration by the Board of Supervisors.

CAPITAL PLAN

The Task Force finds the County has an effective process for identifying, prioritizing, and funding capital projects. The County has a capital improvement plan document, distinct from the operating budget plan, which prioritizes capital expenditure priorities on an annual basis.

A primary strategic consideration of the Task Force is that the County has several large capital infrastructure needs identified that do not have funding identified or rely on voter authorization.

LAND USE POLICIES

The Task Force did not complete a through review of land use policies. However, land use policies should be closely aligned with the other components of the policy model. Land use policies are often the basis for plan priorities. For example, several revenue

plan components recommended by the Task Force, such as economic development of the village center concept, can only be implemented through land use policies.

HUMAN CAPITAL PLAN

The Task Force finds the County has the opportunity to design and implement strategic solutions to the human capital challenges that inhibit the effectiveness of the County's efforts to attract, retain, and manage its workforce. Further, the Task Force finds that the County's decisions to change compensation and benefits levels should continue to be based on sound strategies that consider the long-term costs and funding sources. The County should continue its ongoing efforts to modernize and streamline its human resources systems and take full advantage of technology to create efficiencies and improve strategic decision making.

INFORMATION TECHNOLOGY BUSINESS PLAN

The Task Force finds the County would benefit from creating an effective countywide information technology strategy. The County's existing information technology structure is fragmented with certain departments having a more strategic approach than others. It is important that the County provide an information technology structure and coordinated decision-making process that better meets the needs of the public, taxpayers, and service recipients - all as economically as possible.

By better coordinating information technology strategies, policy formulation, and hardware/software selection, the County could realize economies of scale and a solid and strategic countywide plan for the effective use of technology. Currently, the departments have great leeway in implementing information technology and business application information systems. Providing departments with this ability may result in greater initiative in finding information technology solutions that meet their business needs. However, without a strong countywide strategy and management structure of core technologies there is the strong likelihood that departments are unnecessarily duplicating efforts and supporting systems that could best be supported centrally.

The Task Force recommended the County develop a countywide information technology business plan. Staff has begun work on the business plan and the Task Force supports the direction of the plan and its recommendations.

REVENUE PLAN

The Task Force has identified the following revenue enhancement recommendations that, together with the budget recommendations and strategic process improvement recommendations, form the basis of the Task Force's strategic plan suggestions. Many of the components need to be implemented in a coordinated effort to be fruitful suggestions. The Task Force sought an overall strategic revenue-enhancement outline to meet the strategic goals of the County. Additional discussion and analysis of the revenue plan is included beginning on page 59 of this report.

TASK FORCE DETAILED RECOMMENDATIONS

Revenue Enhancement

Overall Findings

Any organization needs to pursue revenue enhancement opportunities if it is going to continue to viably function into the future. The County is no different. Santa Barbara County, like all counties in California, is highly dependent State and Federal funding. However, the local discretionary revenues available to the County are often what enable Santa Barbara County to provide levels of service expected by the community.

The Task Force encourages the County to cultivate local revenues and seek opportunities to enhance revenues where appropriate.

Targeted revenue enhancements are a key to the County's ability to meet strategic goals. The County will require adequate revenue to meet projected growths in service demands. The County should have an objective of expanding local discretionary revenue to reduce dependence on state revenues and the concomitant risk of those revenues being less predictable than local sources. Finally, the County should seek to cultivate revenues that are linked to the County's overall strategic plan.

Revenue Enhancement Recommendations

1. *CERTAIN ECONOMIC DEVELOPMENT ACTIVITIES HAVE THE POTENTIAL TO BE REVENUE ENHANCEMENTS FOR THE COUNTY. THE TASK FORCE RECOMMENDS THE FOLLOWING ECONOMIC DEVELOPMENT ACTIVITIES BE PURSUED AS PART OF A REVENUE ENHANCEMENT STRATEGY*
 - a. *Support development consistent with community needs and standards to increase revenue greater than the cost for the County to provide services*

Certain land uses, such as hotels, retail, automobile dealerships, and development with high assessed valuations, provide significant revenue to California counties. The County has enacted tax and revenue policies that enable the County to generate significant revenue if such land uses were pursued. Further, as one important aspect, the County should understand the net cost of proposed development; what is the development projected to generate in new revenue versus the costs of serving the development with both countywide and municipal-type services?

The economics of a proposed development is just one of the important factors to consider. The economic factors should, of course, be balanced with the consideration of human needs of citizens.

The location of such land uses plays a significant role in the cost of providing services to the development. It costs less to provide high levels of service to development within the existing urban areas than to projects located outside urban areas.

The Isla Vista Master Plan is an example of a plan to increase revenue generating land uses. The Plan includes densities and land uses that are sufficient to finance infrastructure improvements and seeks to balance that community's housing and infrastructure needs with revenue generating land use. However, as UCSB continues to acquire property and remove it from the tax rolls (for example the University's purchase of Francisco Torres with a valuation of \$83 million), the County will be challenged to ensure revenue is sufficient to offset costs in the Isla Vista area. The Orcutt Community Plan activities provide other examples of the County seeking to increase revenue generating land uses.

Throughout the County, existing urbanized areas provide opportunities for intensifying land use – particularly those areas near employment centers that are well-served by public transportation.

This recommendation relates to the revenue plan and land use policies portions of the County's policy model.

b. Explore the financial benefits from future low impact oil development

The County may be in a position, given current and anticipated prices of oil, to generate significant revenue from oil development. The County should seek State legislation that would enable the County to benefit financially from new oil developments or permits.

If, after the County analyzes the financial impact of oil development, it finds it to be positive, the Task Force recommends the majority of new oil-related revenue be invested in capital or applied to other one-time costs, as the source of the revenue would be temporary.

This recommendation relates to the revenue plan portion of the County's policy model.

c. Pursue the Village Center concept

The Board of Supervisors was presented with a number of scenarios in the Strategic Scan. One scenario included pursuing village center development.

The village center concept is a mixed-use stand-alone community. Village centers are small scale developments that can enable people to live near where they work and provide much needed housing at all levels of affordability. The housing supports neighborhood retail, boutiques, and specialty office. This type of development preserves surrounding agricultural lands and reduces infrastructure costs as a result of its clustered nature.

On page 60 of the Discussion and Analysis section of this report is a snapshot of the revenue generating potential of a village center. This prototypical village center includes a mix of single family and multi-family units housing 2,550 residents, neighborhood retail and restaurants, a small portion of office space and a bed and breakfast. The potential annual County revenue from a village center is \$2,450,000 primarily generated from property and sales taxes.

The Task Force supports properly located and thoroughly considered village center development. Such development may be beneficial in providing much needed housing, generating additional tax revenues, and being a complement to the County's character.

This recommendation relates to the land use policies and revenue plan portion of the County's policy model.

d. Identify and seek revenue generating land uses

For local governments in California, sales, use and transient occupancy taxes are significant contributors to a healthy local discretionary tax base. The County has encouraged and sought land uses that result in increased sales, use, and transient occupancy tax revenues. The County does not appear to do so systematically.

The County should set up a process to identify existing and potential land uses that would enhance these local discretionary revenues. Once the County determines such land uses that would best fit within the character of the community, the County should work with landowners or developers to enhance or encourage land uses that are appropriate to the surrounding land uses. There should be increased coordination between the County Executive Office and Planning and Development to ensure those projects that have the potential to be optimal revenue enhancers are examined from a strategic perspective considering what they can contribute to the County's financial base and thus the County's ability to provide services.

This recommendation relates to the revenue plan and land use policies portions of the County's policy model

2. *DEVELOP A BIENNIAL REVIEW PROCESS FOR ALL DISCRETIONARY FEES TO ENABLE THE COUNTY TO FULLY RECOVER ALL COSTS*

The Board of Supervisors should, on a regular basis, be presented the dollar amount necessary for full cost recovery of all County discretionary fees. The information presented to the Board should describe the amount a particular fee would need to be to fully cover the cost of service.

The Board of Supervisors should direct the County Executive Officer to develop a formal, biannual, review process for all discretionary fees. This process should occur *en toto* biannually with annual updates to coincide with the beginning of the budget process.

The Task Force recommends the Board maintain its discretion of setting fees – whether at full cost recovery or at a lesser amount – but suggests the Board pursue full cost recovery whenever viable or possible.

This recommendation relates to the operating plan portion of the County’s policy model.

3. *SYSTEMATICALLY IDENTIFY REVENUE ENHANCEMENT OPPORTUNITIES*

Departments should be encouraged to identify potential revenue enhancement streams and recommend these to the County Executive Officer during budget development. Departments that are “retailers” of federal or state services and those that rely on County General Fund contributions should seek possibilities for enhancing revenue and the revenue enhancements should not be limited to General Fund programs.

One opportunity may be to focus local promotional and advertising activities so they benefit County coffers. For example, the Fulfillment Program supports local tourism but is focused on promoting areas where the lodging facilities and retail are within incorporated municipalities. This results in the transient occupancy tax and sales tax revenues proceeds going to the city rather than the County.

This recommendation relates to the revenue plan portion of the County’s policy model.

4. *ASSURE LAND USE AGREEMENTS PRESERVE COUNTY REVENUE*

a. *Proactively pursue agreements to avoid losing revenue-generating land uses to annexation*

One risk California counties have when seeking to develop revenue generating land uses is that a city could annex the property therefore diverting nearly all of the local discretionary revenues from the county to the city. The County has

developed revenue generating land uses or has invested in communities only to have a city annex the territory. Subsequent to annexation all revenue generated from the property, such as transient occupancy, sales, and use taxes go to the annexing jurisdiction as does a portion of the property tax. The County continues to receive a level of property taxes to fund countywide services.

The County should seek methods for carefully avoiding the loss of revenue that often occurs with the annexation of revenue generating land uses. These would entail working with either the cities, developer, or both to assure the County is able to benefit from its investment in revenue generating land uses. One option is to work with cities adjacent to the particular land use to develop intergovernmental agreements to preserve a revenue stream to the County. A second option is to use deed restrictions or other similar agreements between the landowner and the County that encumber or run with the property.

This recommendation is not intended to necessarily discourage annexation. In fact, certain developments are appropriate for annexation and often better served by being in a city. However, if the County decides to make a concerted effort to pursue revenue generating land uses it is prudent to seek methods of minimizing the risk of an abrupt and unanticipated loss of these revenues as a result of annexation.

This recommendation relates to the revenue plan portion of the County's policy model.

- b. *When reacting to a request for annexation, the County should negotiate tax exchange agreements that preserve property tax revenue for countywide services*

Prior to any parcel of land being annexed to a city, the city and the County must enter into a tax exchange agreement. This agreement determines how property taxes will be allocated subsequent to annexation. These agreements must be completed for any annexation regardless of the land use of the property.

The County has not had a policy for negotiating the tax exchange. The County has entered into agreements that have allocated no property taxes to the County General Fund and others that have allocated a significant portion to the County General Fund.

The County continues to provide countywide service to an area regardless if it is annexed to a city. In fact, the burden the County has in providing countywide services, such as law and justice, health and public assistance, and regional public safety services likely increases. The municipality assumes the responsibility for providing municipal services. The Board of Supervisors should approve tax exchange agreements that allocate a portion of property tax revenue to the County General Fund.

This recommendation relates to the revenue plan portion of the County's policy model.

5. *CONSIDER PURSUING AN INCREASE IN THE TRANSIENT OCCUPANCY TAX RATE FROM 10% TO 12% TO INCREASE LOCAL DISCRETIONARY REVENUE*

The transient occupancy tax, also known as a hotel/motel bed tax, has been used by the County as a general revenue source. It provides a revenue stream that fluctuates more than other revenue streams, such as property or sales taxes, but one that is paid primarily by people traveling to the County. As such, it is often a more politically palatable way to generate revenue to cover the cost of County services used by both residents and non-residents than a tax paid primarily by local taxpayers.

The current County rate is ten percent. By comparison the City of Santa Maria's rate is also ten percent and the City of Santa Barbara levies a twelve percent transient occupancy tax. In 2000, City of Santa Barbara voters overwhelmingly approved an increase in the City's transient occupancy tax rate from ten percent to twelve percent. The seventy percent approval was more than the two-thirds required by Proposition 218. The additional two-percentage point increment is earmarked for Clean Water and Creek Restoration programs. The City of Santa Barbara's 2000 election may be a harbinger of County voter sentiment of a two-percentage point increase in the transient occupancy tax.

The Task Force believes there is an opportunity for voters to approve a transient occupancy tax rate increase and that proceeds should be available as general revenue. If used for general revenue, a simple majority of voters in favor would be required to approve the tax increase. Based on the County's 2004-2005 transient occupancy tax proceeds a twelve-percent rate would have generated approximately one-million additional dollars.

The recommendation is that the Board of Supervisors study the option of increasing the transient occupancy tax rate to twelve percent. As part of its review and study of the issue, the Board of Supervisors should determine the specific use of the funds.

This recommendation relates to the revenue plan portion of the County's policy model.

TASK FORCE DETAILED RECOMMENDATIONS

Operational Efficiencies

Overall Findings

The creation, by the Board of Supervisors, of the position of County Executive Officer was an excellent way to improve operational efficiencies in the County. The County Executive Officer is best able to work with the Board on policy development, coordinate the departments' implementation of policy direction, and have authority for the County's operations.

Creating this structure is a good first step in achieving these goals. The Task Force finds there is a need to follow through on the Board's action of restructuring the County to strengthen the structure by further implementing the County Executive Officer structure and enhancing operational efficiencies.

Operational Efficiency Recommendations

6. *IMPROVE THE COUNTYWIDE INFORMATION TECHNOLOGY STRUCTURE AND SYSTEM*

a. Identify the County's overall technology investment

The County makes a significant investment in technology. The funding of the County's overall technology investment is not tightly coordinated nor accounted for. Closer controls on technology funding should enable the County to reduce duplication of technology investments. Recent findings suggest the County may have more servers and network administration than may be necessary if the overall technology funding for the County were better controlled.

Also, the core information technology services are funded through charges to user departments. The structure is viable for custom services where departments utilize ITS services for specialized assistance or services. However, the user charge system is also utilized to fund the provision of core information technology services such as email and network administration. Other core support services of the County (such as Human Resources and the budget division) are funded through a cost allocation plan not funded through a user fee model. Core information technology services similarly should not be based on a user fee model for funding. The model is cumbersome and requires departments to utilize detailed calculations. This productivity could be better applied to other activities.

This recommendation relates to the organizational governance structure and information technology business plan portions of the County's policy model.

b. *The County needs an overall information technology management strategy and structure that reports to the County Executive Officer*

The County will benefit from having stronger information technology leadership. Strong leadership should lead to a cost-effective, functional integration of data and technology to better serve the needs of our constituency.

Departments have expertise on their applications and systems but there is not a central decision maker to coordinate the departments and to chart a direction for core countywide information technologies. For the County to have an overall information technology strategy, a roadmap to maximize its investment in technology, it needs to have a strong leadership structure.

Technology is entrepreneurial by nature. Technological advances by the County have been dependant on innovation by the departments. The Task Force encourages such innovation and is not recommending a centralized technology management structure that stifles such department information technology applications. The best organizations depend on end users for feedback, innovation, and initiating change. The Task Force embraces this concept.

This recommendation relates to the information technology business plan and organizational governance structure portion of the County's policy model.

c. *Enhance the County Executive Officer's close oversight of all enterprise-wide information technology projects and systems*

The County Executive Office needs to have close and direct oversight of major information technology projects. The County has experienced information technology project implementations that have resulted in substantial cost overruns and which have not been completed on schedule. Departments have had the autonomy to implement large information technology projects. Oversight of this process by the County Executive Office needs to be enhanced.

The County needs to have a central position with responsibility and authority for all enterprise-wide information technology systems in the County. This does not mean the County should return to a similar centralized information technology structure such as the County had previously. The existing decentralized structure enables the departments to be innovative in their service delivery and software and application development. However, the County needs an authority to coordinate and control the systems utilized by all County departments. These systems include the financial information system (FIN), a central purchasing system, the project reporting system, budgeting, and the developing human resources information system (HRIS) and the system recommended for gathering citizen input and complaints.

This recommendation relates to the organizational governance structure portion of the County's policy model.

d. Clarify and strengthen the County's information technology governance structure to allow projects and processes to be implemented in a coordinated fashion

The County needs to clarify the process for identifying and implementing information technology projects and strengthen the roles of two existing advisory committees.

The County should develop a project management process that allows General Services' Information Technology Services Division and the department to work jointly to develop and implement new information technology projects.

Once the project is jointly identified, the roles of the County's technological advisory body (ITAC) and information policy advisory body (ISAC) should be strengthened to allow these groups to provide detailed advice within their specific purviews that can be utilized by the County Executive Office in final review of proposed projects.

This recommendation relates to the organizational governance structure and information technology business plan portions of the County's policy model.

e. Expand the use of technology to provide improved services both within the organization and externally to customers and clients

Many County services lend themselves to "e-government" solutions – services that can be provided over the internet or utilizing technology. Utilizing e-government can simultaneously improve efficiencies and enhance customer service.

Certain operations of the County have begun the move toward e-government service provision. For example, Planning and Development utilizes an automated neighborhood notification system that enables interested residents to obtain up-to-date information about the development permits in a particular zip code. The Task Force recommends the County take greater advantage and expand the use of these technology investments that improve efficiencies or enhance customer service. As another example, the County has developed a secure payment processing function for web transactions that can be utilized to a greater extent.

The County also has the opportunity to greatly expand the use of Geographic Information System (GIS) technology. GIS is a core technology in many counties throughout the United States yet is fragmented and under utilized in Santa Barbara County. Departments have begun moving forward individually in implementing GIS. However an overall "enterprise" approach needs to be

strategically considered. The County should make GIS technology a top priority and move forward in implementing the GIS business plan and standardize GIS platforms and applications throughout the County.

This recommendation relates to the performance management systems and information technology business plan portions of the County's policy model.

f. Develop strategic information technology plans for every County department

There exists no one source of information that enables decision makers to understand the total projects and overall costs of information technology in the County. Each department should develop an information technology plan that would list current and proposed projects, replacement schedules, operating and maintenance costs, and an annual investment strategy. These would allow the County Executive Office to prioritize projects countywide, understand better the overall costs of information technology throughout the County, and project future technology needs and opportunities for combined projects.

This recommendation relates to the information technology business plan portion of the County's policy model.

7. CONDUCT PERIODIC IN-DEPTH DEPARTMENT REVIEW AUDITS TO ENSURE ONGOING OPERATIONAL AND STRUCTURAL EFFICIENCY

The ordinance creating the position of County Executive Officer states "The County Executive Officer shall, from time to time, conduct comprehensive management reviews and analyses of programs, projects and departments, and report the findings and recommendations to the Board of Supervisors." The Task Force strongly supports this statement and encourages such reviews.

The Task Force recommends such reviews happen on a scheduled basis, utilizing outside consultants as appropriate for larger departments, to enhance the opportunity to conduct a thorough review within the given timeframe and to gain broad and independent feedback. Review of smaller departments may be appropriate for review by the County Executive Officer or Auditor-Controller.

It is important for the County to assure that departments are organized effectively and efficiently. Therefore, the County Executive Officer should periodically and thoroughly review the operations of all departments. The Task Force suggests a review of each department every five years.

These reviews need to be broad. In addition to a financial review they need to examine overall department operational efficiency and effectiveness. The evaluator should report to the County Executive Officer, and undertake with intense scrutiny an examination of the department's programs and budgeting in relation to the department's and County's mission. A portion of the review

should consider departmental organizational structure and examine if certain departmental functions could be better performed by another department or if there are advantages to moving a program or function to another department. For example, should oil remediation be a Fire Department function or would it be better serviced by Environmental Health? Is the animal services patrol function best served by the Public Health Department? Should park maintenance be incorporated into the maintenance programs of either Public Works or General Services?

The Board of Supervisors should consider continuing the process begun with the recent review of the Fire Department. The Probation Department, Sheriff's Department, Alcohol, Drug and Mental Health Services Department, and Public Health Department should be the next departments reviewed.

This recommendation relates to the organizational governance structure and performance management system portions of the County's policy model.

8. *SCRUTINIZE PROGRAMS THAT ARE FUNDED ABOVE THE MINIMUM MATCHING REQUIREMENT AND SPECIFICALLY AUTHORIZE ANY APPROPRIATION OVER THE REQUIRED MATCH TO AVOID INADVERTENTLY SPENDING MORE LOCAL DISCRETIONARY REVENUE THAN NECESSARY ON PROGRAMS*

The Board of Supervisors may be unnecessarily allocating discretionary funds on specific programs by funding programs above the amount required. The County should analyze the benefit of additional expenditure above the minimum required. The Task Force recommends programs not receive funding above Maintenance of Effort (MOE) or required match levels unless specifically authorized by the Board of Supervisors.

The Board of Supervisors should closely scrutinize grants, matching programs or similar programs that fully fund a service for a period of time and subsequently require the County to provide full funding of the program. This requires the use of local discretionary revenue that could be used for local priorities.

This recommendation relates to the operating plan portion of the County's policy model

9. *STUDY THE OPTION TO SELL OR LEASE EXCESS AND UNDER UTILIZED REAL PROPERTY*

The Board of Supervisors should consider selling or generating revenue from potential excess and under utilized real property. This evaluation should include an inventory of all County-owned land, identifying surplus or under utilized land and facilities, and a market analysis of the value of such land and facilities.

The Board would need to direct staff to define what holdings are excess or under utilized. For example, the County owns tenant-occupied land (both with and without consideration), vacant land, under utilized lands (by varying definitions), and land outside the County. Some of the County's land lacks clean and clear title because of the manner in which the County acquired the property.

If the Board determines certain County-owned land is surplus or in excess of the County's foreseeable needs, the Board should consider selling the property and using the proceeds for capital investment or other one-time expenditures where not otherwise restricted by the Government Code.

If the Board determines certain County-owned properties are under utilized or tenant-occupied, the Board may want to consider generating revenue through rent or lease proceeds.

This recommendation relates to the capital plan and revenue plan portions of the County's policy model.

10. TO PROVIDE BETTER CUSTOMER SERVICE, EVALUATE RELOCATING SERVICES CLOSER TO CUSTOMERS, CLIENTS, AND WORKFORCE

The County's population base is shifting to the north and the majority of clients for certain County services are located in the northern portion of the County. The worksites for the majority of County employees are in South County.

The Board should direct the County Executive Officer and Auditor-Controller to examine the feasibility of shifting certain South County facilities and employees north to areas more proximate to clients and service recipients. This shift could potentially enable the County to have modern facilities more appropriate for its current mission that are located more closely to the projected service areas.

This recommendation relates to the capital plan portion of the County's policy model.

11. DEVELOP A WORKING PARTICIPATION BY THE COUNTY EXECUTIVE OFFICER IN THE OPERATIONS, BUDGET, AND EXPENSE ACTIVITIES OF THE PROBATION DEPARTMENT

The County appropriates significant dollars to probation services. The Probation Department's budget has increased from \$18,852,602 in fiscal year 1996-1997 to \$37,660,844 in fiscal year 2005-2006. The General Fund contribution to the Probation Department has grown 138.57% (\$6,827,985 to \$16,220,917) from 1996-1997 to 2005-2006. This General Fund allocation to the Probation Department has grown both in terms of dollars and percentage of the total Probation Department revenue (see discussion and analysis beginning on page 65).

The Task Force recommends studying the Probation Department budget to analyze the cause for this growth. Does the growth result from staffing for new facilities, adult misdemeanor programs, more arrests in the municipalities, or having General Fund revenue replace expiring grant revenue?

In addition, the cost effectiveness of adult misdemeanor programs should be reviewed. Brief reviews by this Task Force and previously by the Mission County Formation Review Commission indicate that Santa Barbara County provides a higher level of service to misdemeanants than some counties but a comparable level of service to that of other counties. Additional analysis is warranted.

The Task Force also examined the feasibility of having the Chief Probation Officer appointed by the Board of Supervisors as a way to further solidify the link between budget authority and appointment authority and provide additional oversight for a significant General Fund expenditure. The County has control over the Probation Department budget but the Department is overseen by an executive appointed by the courts. All other non-elected department directors in the County report directly to the County Executive Officer. County Counsel advises changing the appointment authority for the Chief Probation Officer can only occur if the County adopts a charter.

The formal Chief Probation Officer appointment process is not uniform throughout the state. The Chief Probation Officer is appointed and removed by the courts in 51 of California's 58 counties. Structurally, however, probation departments are county agencies financed by the local executive branch, and the Chief Probation Officer is a county official who hires staff according to county procedures.

The charter counties in which the local Board of Supervisors now appoints the Chief Probation Officer include major population centers such as Alameda, Los Angeles, and San Diego. In terms of the numbers of counties, the court-appointed Chief Probation Officer model is clearly prevalent; however, the county-appointed Chief Probation Officer model applies to jurisdictions that supervise a significant number of probationers in California.

Background and additional information relating to probation services considered by the Task Force is included beginning on page 65 of the discussion and analysis section of this report.

This recommendation relates to the organizational governance structure portion of the County's policy model.

12. INCREASE THE ABILITY TO OUTSOURCE COUNTY FUNCTIONS

In 2003 the Board of Supervisors adopted privatization criteria. These criteria are to be used “in determining whether to privatize a County function or service through an executed agreement to contract out.” The current policy does not facilitate the ability of the County to truly consider outsourcing certain services as a viable option. The policy is narrow and needs to be modified because it discourages privatization and outsourcing.

The Task Force finds that opportunities for outsourcing could potentially be enhanced by modifying the existing privatization criteria and recommends that the current policy be carefully reviewed and modified.

Many states and local governments have contracted with private entities to manage facilities at a savings. Private corporations are often able to manage government facilities in a more efficient way because they are faced with competition and motivated by profit to find efficiencies.

Governments also have created partnerships with private corporations to provide services to the public. These partnerships are aimed at lowering the costs of providing the public services, and can also be used to generate financial gains for the government. Some examples of these partnerships are:

- New York State has leased Stewart and Niagara Falls airports to private operators
- New Hampshire and Georgia have leased state parks to private firms
- Indianapolis awards city contracts to churches to maintain neighborhood parks
- Bryant Park in New York City was revitalized by a voluntary local business association
- New York’s Central Park is maintained by a private nonprofit organization
- Riverside County contracts with a private company to manage its library system
- City Municipal Service, Inc., a private company in Michigan, is serving as the public works department for several towns
- NASA uses private contractors to monitor its unmanned satellites in space
- New Jersey outsources vehicle inspections

Since the 1995-1996 budget year, if not earlier, the County Board of Supervisors identified “privatization of government services, primarily contracting out of public services into the private sector, as an area of interest to consider in meeting the County’s strategic plan.” A staff report to the Board of Supervisors in 2003 stated “Santa Barbara County currently contracts for a host of services which total over \$100 million ranging from training to construction to hospital/medical to

telephone services” and noted examples of current County service contracts with private sector vendors. The examples included:

- hospital medical services
- computer training
- facility construction
- automobile services
- jail medical
- central stores
- risk management/workers compensation
- annual countywide audit
- road paving
- flood control channel work
- telephone services
- numerous non-profit services particularly Public Health, Social Services, and Alcohol, Drug and Mental Health Services

The outsourcing undertaken by the County seems to successfully complement the County’s activities. There may be other opportunities, such as outsourcing certain work of the Public Defender and other law and justice departments, which could be considered if the privatization criteria were amended.

This recommendation relates to the performance management system portion of the County’s policy model.

13. STAFFING AND RELATED COSTS COMPRISE THE BULK OF THE COUNTY BUDGET. TO CONTINUE TO HAVE A QUALITY WORKFORCE THE COUNTY MUST UPDATE AND IMPROVE THE COUNTY HUMAN RESOURCES FUNCTION

a. Strengthen the CEO’s Human Resources Department’s strategic planning efforts to accomplish key objectives tied to thoroughly addressing human capital challenges in the areas of recruitment and retention of a talented workforce and financial planning of any new or enhanced compensation and benefit strategies for the purpose of controlling costs

The County is faced with significant challenges in attracting and retaining the talent necessary to provide mandated services. The high cost of housing in Santa Barbara and rising transportation costs for those who must commute make it increasingly difficult to attract talented individuals into County employment. Often the surrounding cities and counties that are competing for that same talent pool offer comparable or better compensation and benefits, more affordable housing, and the realistic potential to live in the same community in which they work.

The CEO’s Human Resources Department must, therefore, continue to design results-focused human capital strategies that can address the County’s overall business requirements. This means addressing workforce values and issues,

demographics, people development and shifting economic challenges while developing strategies that set the stage for business decisions and translating them into action. Strategic issues should be focused on improving efficiency and ensuring costs are reduced by reviewing and improving transaction processes, utilizing technology to automate workflow, building the organization's capacity to embrace and promote change, look for improvement on a continuous basis and tie all efforts to measurable results.

The CEO's Human Resources Department should ensure that strategic planning efforts build the County's capacity to attract, develop and retain a quality workforce and align, engage and measure the performance of that workforce while controlling and reducing overall HR costs. The CEO's Human Resources Department should continue its long-term financial planning efforts to achieve these goals.

This recommendation relates to the organizational governance structure and human capital plan portions of the County's policy model.

b. The Task Force supports the CEO's Human Resources Department's efforts to control health care costs through consumerism or other viable approaches and cost-containment strategies.

The cost of health care is a national crisis. Employers are resorting to drastic measures to control the rising cost of providing health benefits including greater cost sharing with employees and streamlining the benefits that are offered. The CEO's Human Resources Department is currently working with a labor management committee to review the design and associated costs of the County's current health plans. The purpose of this project is to develop effective cost reduction strategies for managing the County's health benefit program. Recommendations will ultimately be made to reduce costs including the number of plans offered, the types of benefits offered within the plans, the structure of co-pays, the management of prescription drugs and a consumerism strategy. The Board is encouraged to support and implement recommended cost reduction strategies.

This recommendation relates to the human capital plan portion of the County's policy model.

c. Continue to explore and implement means of addressing the recruitment and retention workforce challenges facing Santa Barbara County.

Housing costs continue to present significant employee recruitment and retention challenges for the County of Santa Barbara. Increasingly employees cannot afford to purchase a home or, in some cases, find affordable rentals in the area. This creates an environment in which many employees must commute from surrounding counties and exacerbates the human capital challenges facing the

County. While compensation and benefits certainly impact an employee's decision to accept employment and remain employed in a particular region or community, Santa Barbara's workforce issues cannot be solved through pay and benefit adjustments alone. Therefore, the County must continue to explore a variety of means for addressing this issue. The Task Force discussed a number of opportunities in this area that should be considered by the County as it seeks to enhance recruitment and retention efforts:

- Improve job quality
- Expand telecommuting opportunities
- Create greater job flexibility
- Establish satellite work sites in areas such as Carpinteria and Santa Maria for employees who commute (this may reduce commuting and result in less expensive office costs)
- Establish a program to address housing barriers. This could include subsidized loans, down payment assistance, use of deferred compensation balances, a limited equity partnership program, and loan guarantee programs.
- Establish hiring incentives for certain jobs

This recommendation relates to the human capital plan portion of the County's policy model

d. Provide an integrated Human Resources Information System (HRIS) to better manage workforce data

The County of Santa Barbara does not currently have an automated human resources "backbone" system to manage workforce data and support strategic decision making. This significantly impedes the County's ability to rapidly access and provide the data necessary to meet the changing needs of the County and the increasingly complex human capital challenges. The CEO's Human Resources Department has submitted a request for a capital improvement that would result in the purchase of a Human Resources Information System (HRIS). Though there is an initial cost to implement this type of system (estimated at approximately \$800,000) the County should realize a return on its investment through efficiencies, elimination of redundancies, reductions in duplicative efforts, elimination or redeployment of staff, and more effective strategic decision making.

This recommendation relates to the human capital plan, information technology business plan, and performance management system portions of the County's policy model.

e. Complete the work being done by the CEO's Human Resources Department to modernize classification and compensation structures and performance management systems

The existing Human Resources business systems used by the County of Santa Barbara have been in existence for several decades and were designed to meet the demands of the 1970's business environment. These antiquated systems no longer provide the flexibility and versatility needed to be effective, competitive, and responsive nor do they support the focus on customer service that today's business world demands. As a starting point, the CEO's Human Resources Department is in the process of reviewing the classification and compensation structure and performance management system for the County's executives and managers. The purpose of the review is to create streamlined business systems that provide greater flexibility and responsiveness, and move the County forward in creating a customer-focused culture. To accomplish this, core job competencies have been established that underscore the value of a customer focus. These competencies will be incorporated into a new performance management system and other human resources practices such as hiring, training, evaluating, and rewarding employees. These changes are essential for the County in order to provide the highest level of customer service efficiently with increased accountability. The CEO's Human Resources Department is encouraged to expand its initial efforts in this area to encompass all aspects of the human resources business systems employed by the County.

This recommendation relates to the human capital plan and performance management system portions of the County's policy model.

f. In order to control the cost of retirement, complete efforts to review retirement system alternatives and potential cost-containment measures.

The County of Santa Barbara provides retirement benefits by way of an independent local system pursuant to the County Employees Retirement Law of 1937. By law, the County's retirement system provides defined benefits to retirees of the system. The plan is administered by the Santa Barbara County Employees' Retirement System (SBCERS.)

An annual actuarial valuation of the system is performed by the Retirement System's actuary. The actuarial funding process is designed to collect money during current service to fund payment of future benefits that accrue from that service. In order to project the current cost of future benefits the actuary makes a number of assumptions regarding the workforce, mortality and the expected economic environment and makes assumptions on the levels of inflation and the

expected return on investments. All costs, liabilities and other factors used by the actuary are determined in accordance with generally accepted actuarial principles and procedures. The annual report identifies actuarial gains and losses resulting from experience that differed from the actuarial assumptions. These differences can create a certain amount of volatility in annual cost. To minimize the impact of these changes on the County's budget, the Board of Retirement has adopted smoothing procedures. The gains and losses are amortized over a fifteen year period. The changes in contribution rates from the valuation report affect the County contribution rates.

The County has never undertaken a comparison of the County's retirement system in relation to the other primary retirement system option, the California Public Employees' Retirement System (CalPERS.) In addition to administering retirement benefits for California State Employees, CalPERS contracts with over 1,200 local California public agencies. Like the County's retirement system, benefits provided by CalPERS are based on the member's age, service and final compensation. However, there are differences between the two systems in terms of eligibility, formula and benefit calculations.

The Task Force recommends that the County Executive Officer explore means for reducing and/or controlling retirement costs by completing the review of the retirement system by an independent actuarial firm and performing a comparison with CalPERS. The Board of Supervisors should carefully consider pension costs well out into the future when approving revised compensation plans.

The Santa Barbara County Employees' Retirement System administers a health care benefits program for retired members and their eligible dependents. The County Employees' Retirement Law of 1937 provides authority for the Board of Retirement to establish medical benefits for retired members with what the Retirement Board considers to be excess earnings. The Act explains that excess earnings are earnings of the retirement fund in excess of one percent of the total assets of the retirement system. Currently, retirees who elect a County sponsored health plan receive a subsidy of \$15.00 per month per year of service. Retirees who choose not to participate in a County sponsored health plan receive \$4.00 per month per year of service. Increases in these amounts have periodically been determined by the Board of Retirement.

The Board of Retirement funds present value of all members' health subsidies by transfers from what they consider to be excess earnings. The Retired Health Insurance Reserves are maintained as a separate reserve and are subject to interest crediting like other reserves. This fund is not included in investment gains and losses.

Within the retirement system, the health coverage reserve and supplemental health coverage reserve represents the balance of monies set aside for the payment of health insurance offsets and cash benefits for retired members. Additions to

the reserve include contributions from the employer, interest, and what the system has determined are excess earnings.

Beginning in fiscal year 2007, two new Government Accounting Standards Board (GASB) reporting requirements will go into effect. GASB 43 is the requirement for government retirement plans and GASB 45 is the reporting requirement for the plan sponsors. These reports must be presented as part of the Comprehensive Annual Financial Report (CAFR). The report requires agencies to report the implicit and nominal value of retiree medical benefits and the value of future benefits.

The Task Force recommends that the County Executive Officer, as part of the independent review of the retirement system, have an evaluation of the calculation of “excess earnings” conducted to determine whether the methodology used by the Retirement System conforms with, and is required by, Retirement Law. Additionally, it is recommended, that the County Executive Officer include in the independent study an evaluation of the methodology and actuarial assumptions used by the Retirement System’s actuary to determine the actuarial accrued liability of retiree health benefits for GASB 43 and 45.

The Task Force further recommends that the establishment of a funding agreement for the distribution of excess earnings be implemented between the Board of Retirement and the County.

This recommendation relates to the human capital plan and operating plan portions of the County’s policy model.

14. *COMBINE AND COORDINATE SERVICES WITH OTHER JURISDICTIONS WHEN FEASIBLE TO TAKE ADVANTAGE OF POTENTIAL ECONOMIES OF SCALE, IMPROVE SERVICE TO THE PUBLIC AND REDUCE MULTI-JURISDICTIONAL SERVICE OVERLAP*

The County should seek opportunities to provide services to other governments. An example is how fire protection services are now provided to the Cities of Buellton and Goleta. The County should seek opportunities to have other jurisdictions provide County services where feasible and economical. For example, some of the County’s “municipal-type” services may be better performed by a city via contract with the County

This recommendation relates to the performance management system portion of the County’s policy model.

TASK FORCE DETAILED RECOMMENDATIONS

Process Improvements

Overall Findings

The Task Force believes the County has the opportunity to proceed with several process improvement initiatives. There are certain processes that are highly fragmented, such as purchasing and information technology, and others that are functioning but which could be enhanced to allow more strategic planning and citizen involvement.

Process Improvement Recommendations

15. *THE COUNTY BUDGET PROCESS CAN BE AUGMENTED IN FOUR WAYS TO IMPROVE OR ENHANCE THE PROCESS*

a. The total budget should be part of the County's overall strategic mission

The Board of Supervisors should keep strategic control of the entire budget. All discretionary money spent by the County should go through priority and strategic processes and be reviewed by the County Executive Officer. As part of the budget process, the Board should allocate discretionary funds based on overall strategic goals and priorities and receive recommendations from the County Executive Officer.

For example, the Board should evaluate the spending of Tobacco Settlement Advisory Committee (TSAC) funds and Coastal Resource Enhancement Funds (CREF), homeland security grants, Human Service Commission, non-earmarked gifts and donations, amounts spent over and above mandated levels, and other revenues of local control within the context of the County's total efforts. Advice can be received independently, such as from citizen committees, but appropriations should be within the County's overall strategic priorities and control of the Board of Supervisors.

This recommendation relates to the operating plan portion of the County's policy model.

b. As a prelude to the budget process, continue holding public hearings on the strategic scan and developing strategic priorities

The Board of Supervisors should continue holding an annual hearing regarding strategic priorities prior to commencing the budget development process. This hearing provides the opportunity for the Board to outline its strategic priorities and for the County Executive Officer to prepare a budget that targets those priorities.

The Board receives an overview of the Strategic Scan in the Fall and is presented with the financial picture that enables it to determine spending priorities for the budget process. These priorities are outlined in the budget principles included in the budget instruction manual prepared by staff. The meeting should be structured to maintain a strategic focus.

This recommendation relates to the operating plan portion of the County's policy model.

c. Maintain an updated budget reduction model at all times to ensure readiness and responsiveness should budget cuts become necessary

The County developed a budget reduction model in 2004 under the threat of losing significant state revenues. It included a plan for the County to systematically react to the loss of different degrees of general revenue. For example, it articulated a hypothetical example of how the County could cope with up to \$22 million in general revenue losses.

The Task Force believes the County is always, to some extent, at risk of such unforeseen revenue disruptions and should always have an updated budget reduction model to prioritize reductions in the event of an unexpected need to cut expenditures.

This recommendation relates to the operating plan portion of the County's policy model.

d. Systematically set aside funds for capital investments

The Board of Supervisors should enact a policy that systematically sets aside revenues for capital improvements. The policy should commit to a disciplined approach such as annually putting an amount, for example two-percent of the General Fund, as well as any other revenues for which it is legal, into a designated capital fund.

A minimum of two-percent of General Fund and other revenues is a feasible standard. The County does an excellent job of planning for its capital needs. Designating two-percent of certain revenue to a capital fund would enhance the County's investment in its capital needs. This would provide an annual amount of approximately \$3.4 million for capital projects.

This recommendation relates to the capital plan portion of the County's policy model.

16. *IMPLEMENT AN ENTERPRISE SYSTEM TO MONITOR CITIZEN COMPLAINTS AND COMMENTS*

The County should develop and implement an automated system that allows employees to log citizen comments and complaints. Such a system would provide rich data for determining constituent needs and the quality of service the County provides as well as a good source of information for planning purposes.

An enterprise-wide system could enable each department the opportunity to log comments and concerns they receive from the public. This would be a valuable tool for departments to systematically track public comments, and could serve as a tool for analyzing comment trends. It would be particularly valuable in the case where services from more than one department are provided as an enterprise-wide system and would enable multiple departments to access information about a certain service area. Additionally, such information could form a basis for resource allocation decisions and point to a need to direct more resources to areas with persistent service challenges.

This recommendation relates to the performance management system portion of the County's policy model.

17. *ASSURE THE COUNTY EXECUTIVE OFFICER HAS A SYSTEM TO OVERSEE AND REVIEW THE COMPLETION OF ALL COUNTYWIDE PROJECTS*

The County Executive Officer has a Project Review System (PRS) that allows departments to report on significant projects and periodically present to the executive team a summary of the project and any significant issues. The Task Force believes this is an imperative budget control for projects which can have significant schedule and cost overruns if not closely monitored. It is important that the CEO keeps this system viable and that all departments be involved in reporting and presenting their projects including capital projects.

The project review system should enable the departments to provide budget and schedule information about their projects as well as the projects' locations and an area for comments. The project review meetings should entail project presentations where the presenter describes the project, the planned, actual and projected budget and schedule, any unforeseen issues with the project, and any policy considerations for the executive team attendees. The executive team attendees should include the CEO executive staff, an executive representative from County Counsel, an executive representative from Auditor-Controller, and the executive(s) of the department(s) completing the project.

It is imperative the County Executive Officer has authority and responsibility for all projects undertaken by the County. The Board of Supervisors should adopt an ordinance to clarify and specify the authority and responsibility for the County Executive Officer.

This recommendation relates to the performance management system portion of the County's policy model.

18. *IN ORDER TO ENHANCE LAND USE REVENUE OPPORTUNITIES, CONTINUE TO IMPROVE THE LAND USE REGULATORY PROCESS*

The County needs to assure the regulatory process is fair, reasonable and helpful. An improved regulatory environment can allow the County to better take advantage of opportunities as they arise, seek to work with the market in meeting the land use goals of the County, and allow the County to remain proactive in meeting the desires of the community while balancing the projected needs of the County. This does not mean degradation of the environment but efficient, fair processing within community set standards.

This recommendation relates to the land use policies portion of the County's policy model.

19. *THE COUNTY NEEDS TO ASSURE GENERAL SERVICES IS INVOLVED IN CONSTRUCTION PROJECTS*

The Board of Supervisors requires the involvement of the General Services Department in building construction and remodel projects as follows depending on the size of the project:

- i. For projects under \$30,000, a department can design and contract to construct its own facility improvements, provided they consult with the General Services Department during the design of the remodel. This service is provided at no charge to the department.
- ii. For projects between \$30,000 and \$125,000, a department can design its own project but must enlist the General Services Department to assist in properly bidding the project and managing the construction of the project. The department will pay the approved General Services hourly rates for this service.
- iii. For projects over \$125,000, departments must enlist the General Services Department to manage its projects from beginning to end. The department will pay the approved General Services hourly rates for this service.

The use of this policy is somewhat inconsistent today and compliance with the policy needs to be strengthened.

This recommendation relates to the organizational governance structure portion of the County's policy model.

20. *COUNTYWIDE PURCHASING POWER IS NOT EFFECTIVELY USED TODAY. PURCHASING IS VERY DECENTRALIZED AND INEFFICIENT RESULTING IN SIGNIFICANT RESOURCES BEING WASTED. THE COUNTY PURCHASING PROCESS CAN BE IMPROVED IN CERTAIN WAYS TO BE LESS FRAGMENTED AND CAN BE IMPROVED BY REVISING THE LIMITS OF CERTAIN PURCHASING DECISIONS*

Additional information about County Purchasing as well as a context for these recommendations is on page 63 of the discussion and analysis section of this report.

a. To expand competition and fairness, the County needs to make certain changes relating to the purchase of tangible goods

The Task Force has four specific recommendations for changing the County's purchasing policies relating to the purchase of tangible goods.

- i) Further promulgate and enforce the existing policy of purchasing items on a countywide contract (other than construction items);
- ii) Departments should continue making purchases up to \$1,000; however, if the purchase is part of a countywide contract the department should utilize the contract or receive the Purchasing Division's approval for a non-contract purchase. The existing policy of requiring employees to purchase items that are available on a countywide bid from a particular vendor should be enforced. This recommendation relates to requiring that departments stay "on contract" when a countywide contract exists, such as everyone using the same make of copier;
- iii) The existing policy of permitting departments to complete tangible purchases below a certain dollar amount appears fine; however the Task Force recommends the dollar amount be reduced from \$25,000 to \$10,000. Thus departments would be permitted to solely decide on tangible purchases between \$1,000 to \$10,000. However, if the item to be purchased is available as part of a countywide bid the purchaser would purchase the item from that vendor unless a waiver is obtained from the Purchasing Division. This recommendation requires the Purchasing Agent to bid items over \$10,000 rather than those over \$25,000. Between \$1,000 and \$10,000, the department still has to send the Purchasing Agent a requisition, but Purchasing would accept their suggested vendor unless Purchasing is aware that a better price or product could be obtained by bidding.
- iv) All purchases of tangible items between \$10,000 and \$25,000 should be purchased by the Purchasing Division and three quotes should be obtained (not necessarily through formal bid) except for unusual circumstances in which cases three quotes are not required as determined by the Purchasing Manager. If the item is available as part of a countywide contract the Purchasing Division should make the purchase.

This recommendation relates to the organizational governance structure portion of the County's policy model.

b. The County should work more closely to take advantage of its overall buying power

Countywide purchasing power is not effectively used today. The County has a fragmented system of purchasing. Decentralized purchasing occurs without Purchasing oversight and policies should be strengthened to provide greater standardization and oversight by the Purchasing Division.

In addition to the specific recommendations relating to county purchasing policies, the Task Force recommends that the County make a concerted effort to have all organizational units of the County work more closely together to take advantage of buying power. The County should strengthen policies that encourage departments to purchase from existing bids, countywide contracts, and other opportunities for bulk or quantity discounts. There appear to be significant areas where county organizations are buying products and services individually and not taking advantage of economies of scale.

This recommendation relates to the organizational governance structure portion of the County's policy model.

c. The County needs to make certain changes relating to the purchase of services

The Task Force has three additional specific recommendations for changing the County's purchasing policies relating to the purchase of services.

- i) Administrative purchasing procedures and policies should be clarified and consolidated for the acquisition of services;
- ii) The Purchasing Division should determine, in consultation with the department requesting the service, which of the services should be bid;
- iii) The Purchasing Division should determine, in consultation with the department requesting the service, which services should be centralized countywide.

This recommendation relates to the organizational governance structure portion of the County's policy model.

d. The County needs to make certain changes relating to countywide purchases

The Task Force has five specific recommendations for changing the County's purchasing policies relating to countywide purchases.

- i) The County should clarify and consolidate County administrative policies concerning vehicle operations and use;

- ii) Analyze whether there is a more efficient (less expensive) way of meeting vehicle needs including alternatives to the County owning a large fleet;
- iii) Implementation in the immediate future of a formal review process of all vehicle needs to ensure a bona fide need exists for vehicles currently operated.
- iv) Certain items have great price fluctuations (such as technology products and fuel). Given these price fluctuations the County may not benefit from a long-term countywide purchasing contract with a vendor. Evaluate which items should be procured countywide and evaluate the frequency with which each item should be rebid (re-bidding more frequently those items which have greater price fluctuations);
- v) The Task Force recommends that the County develop and implement a new system, or modify and link existing board contract and purchasing database systems, or enhance FIN so that a central location retains all types of purchase order/contract balances by purchase order or contract number.

This recommendation relates to the organizational governance structure portion of the County's policy model.

e. Implement database tracking for countywide purchases

The County has four systems for tracking purchasing activities. Public Works has a purchasing system, the Purchasing Division of General Services has a purchasing database, there is a system to track consultants, and a system to track the purchase of services.

Coordinated purchasing should be an important component of structural reform for the County. The Board should designate one party responsible for countywide purchasing. The County should have a system that is integrated into either one system or, in the event operational efficiencies necessitate, more than one system with a method of assuring that the various systems seamlessly share data and information.

This recommendation relates to the organizational governance structure and information technology business plan portions of the County's policy model.

IMPLEMENTATION OF RECOMMENDATIONS

The Task Force realizes the breadth of recommendations in this report. Not all of them can be implemented immediately and some will require Board and staff perseverance and commitment to achieve. In recognition of the fact that the County has many projects currently underway, it is important for the Board of Supervisors to prioritize these recommendations.

After study and consideration, when the Board of Supervisors determines the implementation priority of recommendations, the responsibility for implementation should be assigned to the County Executive Officer. In addition, the County Executive Officer should be responsible for providing periodic progress updates to the Board.

ACKNOWLEDGEMENTS

The Task Force would like to recognize those who were involved in meeting with or providing information to the Task Force. The information was forthcoming and enabled the Task Force to examine issues in detail and formulate its recommendations.

PROCESS AND INVOLVEMENT

The Task Force held eighteen meetings from June 30, 2005 through March 31, 2006. As reflected in this report, the subjects of the meetings ranged from the budget process to strengthening the structure of the County.

The Task Force feels the County put its full commitment behind this project. County Executive Officer Michael F. Brown provided full support to the Task Force, dedicated staff to support the Task Force and assisted in writing this report, and made all necessary staff and department representatives available at Task Force meetings.

The Task Force would like to express appreciation to those individuals who made presentations to the Task Force, provided information, and otherwise demonstrated support to this project. The Task Force would like to recognize:

- Michael F. Brown, County Executive Officer
- Bob Geis, County Auditor-Controller
- Bernice James, Treasurer-Tax Collector
- Shane Stark, County Counsel
- Jim Laponis, Deputy County Executive Officer
- Susan Paul, Assistant CEO - Human Resources
- Ken Masuda, Assistant CEO – Budget and Research
- Terri Maus-Nisich, Assistant County Executive Officer
- Bob Nisbet, General Services Director
- James Broderick, Alcohol Drug, and Mental Health Services Director
- Scott DeuPree, Chief Probation Officer
- Carrie Topliffe, Alcohol Drug, and Mental Health Services Department
- Harry Hagen, Treasurer-Tax Collector Department
- John McMillin, Purchasing Manager
- Betsy Schaffer, Auditor-Controller Department
- Nicole Koon, County Executive Office
- Mark Paul, Auditor-Controller Department
- Luci Rogers, General Services Department
- Gloria Ness, Purchasing Division
- Daniel Milei, Assistant General Services Director, Technical Services
- Theresa Duer, Human Resources
- Lila Deeds, Human Resources
- Patricia Stewart, Probation Department
- Dennis Pankratz, Probation Department
- Paddy Langlands, General Services Department
- Mitch Guenthart, General Services

- Michele Mickiewicz, Deputy Director of Public Health Department
- Gary Blair, Superior Court Executive Officer
- Michael Harris, Public Health Department
- Jeri Muth, Human Resources
- Kim Tesoro, Auditor-Controller Department
- Suzanne Jacobson, Public Health Department
- Martin Conoley, Probation Department
- Jean Silva, Probation Department
- Scott McGolpin, Deputy Director Public Works
- Rochelle Camozzi, Public Works Department

County Executive Office Staff

Jason Stilwell - Task Force project manager

Leslie Robinson-Stone - web site support

Brenda Castillo - meeting support and preparation

The Task Force wishes to gratefully acknowledge the full cooperation and support of all these individuals. We are particularly appreciative for the support and assistance provided by Jason Stilwell of the County Executive Office who served as our rigorous and insightful Study Director in addition to performing his other assigned County duties. Mr. Stilwell's apolitical, steady, analytical, and professional character reflect credit on himself, the County organization, and the International City/County Management Association. We are also appreciative of County Executive Officer Michael F. Brown's support and assistance as well as his attendance at a majority of Task Force meetings.

ANALYSIS AND DISCUSSION

The recommendations and findings contained in this report were developed after hearing from County representatives providing the services being examined, reviewing supporting information, analyzing certain information and discussing the potential recommended options. Certain components of that analysis and discussion are included in this section which discusses certain information the Task Force considered and analyses conducted as a basis for certain recommendations.

REVENUE PLAN

The County has the opportunity to generate revenue from certain land uses, such as hotels, or retailers and certain facilities, such as oil production. The Task Force developed a snapshot of these revenue generating activities to create a context to explain the scale of new potential revenue enhancement opportunities.

Big Box Retailer

- Assumption: Average sales of \$325 per foot annually
- Average size of 110,000 square feet
- County sales tax rate of $\frac{3}{4}\%$
- Average annual sales tax revenue of \$268,000 to the County
- Additional revenue estimates:
 - Property Tax
 - Estimated assessed valuation of store: \$25 million
 - Estimated 1% property tax on the assessed valuation: \$250,000
 - Percentage of the 1% to the County General Fund: 15%
 - Average annual property tax revenue of \$37,800 to the County

POTENTIAL ANNUAL COUNTY REVENUE FROM A BIG BOX RETAILER: \$305,800

Resort Hotel

- Assumption: Average daily rent charged by hotel operator (annualized room sales): \$20 million
- County transient occupancy tax rate of 10%
- Average annual transient occupancy tax revenue of \$2 million to the County
- Additional revenue estimates:
 - Sales Tax
 - Estimated total taxable sales: \$6,400,000
 - County sales tax rate of $\frac{3}{4}\%$
 - Average annual sales tax revenue of \$480,000 to the County
 - Additional revenue estimates:
 - Property Tax

- Estimated assessed valuation of hotel: \$100 million
- Estimated 1% property tax on the assessed valuation: \$1 million
- Percentage of the 1% to the County General Fund: 15%
- Average annual property tax revenue of \$150,000 to the County

POTENTIAL ANNUAL COUNTY REVENUE FROM A RESORT HOTEL:
\$2,630,000

Automobile Dealership

- Assumption: Average vehicle sales annually: \$3.5 million
- County sales tax rate of ¾%
- Average annual sales tax revenue of \$268,000 to the County
- Additional revenue estimates:
 - Property Tax
 - Estimated assessed valuation of dealership: \$5 million
 - Estimated 1% property tax on the assessed valuation: \$50,000
 - Percentage of the 1% to the County General Fund: 15%
 - Average annual property tax revenue of \$7,500 to the County

POTENTIAL ANNUAL COUNTY REVENUE FROM A DEALERSHIP:
\$275,500

Village Center

- Number of single-family units: 700
- Number of multi-family units: 250
- Square footage of retail/restaurants: 150,000
- Square footage of office/other commercial: 20,000
- Square footage of hotel/motel: 15,000
- Totals:
 - Assessed Valuation: \$600 million
 - 1% property tax: \$6 million
 - Property tax to General Fund: \$900,000
 - Population
 - Total overnight population: 2,550
 - Retail sales
 - Total retail sales: \$20 million
 - ¾% sales tax to County general fund: \$1,500,000
 - Transient Occupancy
 - Average daily sales (annualized): \$500,000
 - 10% TOT tax revenues generated: \$50,000

POTENTIAL ANNUAL COUNTY REVENUE FROM A VILLAGE CENTER:
\$2,450,000

Oil Production

- Estimated new annual yield: variable
- Time to develop new resource: 5-6 years
- Life of resource: 10 years
- Estimated negotiated new revenue rate (requires state legislation)
- Average annual mineral tax revenue of approximately \$25 million over the life of the project to the County (this estimate fluctuates greatly based on the price of oil and the inherent uncertainty in exploration)
- Additional revenue estimates:
 - Property Tax
 - Estimated assessed valuation of facilities: \$90 million
 - Estimated 1% property tax on the assessed valuation: \$900,000
 - Percentage of the 1% to the County General Fund: 15%
 - Average annual property tax revenue of \$135,000 to the County

POTENTIAL ANNUAL COUNTY REVENUE FROM OIL PRODUCTION:
\$135,000+

ORGANIZATIONAL GOVERNANCE STRUCTURE

One reason the Board created the position of County Executive Officer was to have a single position “responsible for the management of all County functions and operations except those committed by law to elected or appointed officers of the County and be cognizant of the administration of all departments.” This is one person whose role is to look at County operations from an overall countywide point-of-view and be the “primary advisor to the Board of Supervisors on all matters relating to the efficient and effective administration of County Government.”

Many of the issues examined by the Task Force and reported in this report involve areas where the new County Executive Officer structure could increase authority, responsibility, decision making and accountability. Such increases would likely result in a better performing government at less cost to the taxpayers. Several operational areas of the County are fragmented and could benefit from an updated overall countywide strategy.

HUMAN CAPITAL PLAN

The County’s employees are its greatest asset. They are the individuals who are on the front line providing County services and keeping the County operating effectively and efficiently. Because of this, the Task Force believes it is important to continually review procedures, processes, and business systems relating to Human Resources operations and identify opportunities for streamlining, enhancing the use of technology, and creating

systems that allow the County to effectively recruit and retain a pool of talent, effectively manage a diverse workforce, and make effective and strategic decisions.

It is equally important that the County engage its workforce in being part of the solution to the challenges that face the County and align employees with the County's vision of providing excellent customer service with greater efficiency and accountability. The efforts being made by the CEO's Human Resources Department are aimed at achieving these long-term results. Other concepts used in the private sector that may be worthy of exploration by the County include increasing the use of technology in order to reduce staffing levels; considering outsourcing certain functions; and partnering with other governmental organizations to realize economies of scale. By remaining on the cutting edge of human resources business practices, effectively employing technology, and seeking various innovative means of meeting the County's need for talent, the organization will be better equipped to address its human capital challenges. There should be a greater openness to the use of outsourcing.

OPERATING PLAN

After an initial review of these issues, the Task Force requested that the budget staff survey the budget processes of other counties as a method of determining if there are processes or alternatives to the way Santa Barbara County prepares its budget. The goal was to see if other counties have practices that, if applied to Santa Barbara County, would be beneficial for adoption or incorporation. Staff completed the survey and returned to the Task Force with findings and suggestions. The results supported the Task Force's belief that the County has a sound budget development process. They also indicated a few key areas that the County should consider adopting. These are reflected in the recommendations above.

The County underscores the importance of the budget by utilizing professional management in preparing the budget under the County Executive Officer (CEO). This focus by the CEO and budget staff make it possible for the County to professionally and rationally prepare the budget, guide the Board of Supervisors through budget adoption, and control the budget during the budget year.

PERFORMANCE MANAGEMENT SYSTEMS

The County widely utilizes the five performance management components to assist in proving an effectively managed organization.

- Performance measures are used to measure County operations. They are the key component of the County's program performance budget and are reviewed at least quarterly in operational review meetings between the County Executive Office and individual departments.
- The County has a project reporting system designed to track budgets and schedules of significant projects. Project review meetings are held approximately every six weeks to give project managers an opportunity to present their project to

a team of executives and highlight any unforeseen issues, unanticipated challenges, or policy issues.

- The County organization encourages process improvement. Major process improvement initiatives are now underway in several departments. The County allocates resources to support process improvement opportunities.
- Professional ethics are a key component in a system of performance management. Some of the key executives in the County Executive Office are members of the International City/County Management Association which has an adopted code of professional ethics. The County as a whole is a professional organization with individuals representing dozens of professions with high standards. A commitment to professional ideals is important for being able to objectively carry out policy initiatives. Professional executives and managers should refrain from all political activities which undermine public confidence in professional administrators. They should refrain from participation in the election of the members of the Board of Supervisors and other County elected officers.
- Effective and clearly defined communication channels are important for an organization to be able to function effectively. Changes to certain systems, such as email compatibility, can be made that will enhance organizational communication. This topic in particular is discussed more thoroughly in the information business planning section of this report.

The Task Force recommended that the County develop a countywide information technology business plan. The County began work on developing the business plan in December 2005 and developed some initial findings in January 2006.

County Purchasing

The County has a relatively de-centralized system of purchasing. Departments are able, in certain circumstances, to directly purchase items and services. The County's Purchasing Division procures goods and services for the County, provides mailing and courier services, and disposes of surplus property. The mission of Purchasing is "to help County Departments accomplish their mission by providing expert, value added procurement services, by obtaining value in our purchases, adding value in our processes, and serving as a broker of win-win solutions for the County's users and suppliers."

It is the task of the Purchasing Manager to see that departments obtain the goods and services they require at the best price possible and in a manner that complies with the law and ethical principles. The laws the Purchasing Manager must comply with appear in County Codes, the Government Code, the Public Contract Code (for public projects) and the Labor Code (prevailing wage laws). There are also a number of Board Resolutions that are not in the County Code that Govern purchases, as well as County Policies under the County Executive Officer.

Overview of the Procedure

The law requires that all purchases made by the Purchasing Manager come from approved requisitions. County requisitions all state, above the signature line, "I hereby certify there are sufficient funds in the budget indicated for the payment of the above."

All requisitions must be signed by a person authorized by the department head to do so and thereby commit the funds of the department for the purpose stated in the requisition. Authorized signatures are on file in Purchasing. All requisitions are reviewed by the Purchasing Manager and assigned to a buyer. The buyer produces a purchase order immediately for small purchases, places “fax quotes” as needed for items that have no selected vendor or, if the item is expected to cost more than \$25,000, produces a formal bid.

Bids

For bids, the buyer receives specifications from the department, reviews them for fairness, and produces a bid document. This document is mailed to known vendors, placed on the internet for anyone to use, and is sent to an organization called “Bidnet” for distribution to their subscribers. All responses are received sealed and not opened until the date and time specified in the bid. The bid opening is open to the public. After the bids are opened, a summary is read aloud and the public is allowed a reasonable time to inspect the bids. The bids are then withdrawn from public access, and treated as “work papers” until such time as the bid is awarded. At that time all bids, summary sheets, and notes are placed in a file that is open to public inspection.

Countywide Purchases

The Code states that the “Purchasing Manager shall exercise diligence in consolidating...orders....” This is done so commonly purchased items such as modular furniture, office supplies, fire extinguisher maintenance and the like can be obtained at quantity discounts. This is usually done by formal bid, in which the winning vendor is awarded the County’s business for a set period of time, usually three years with renewal options for additional years on good performance. Departments do have the ability to order “off contract” if they have a specific need that cannot be met by the usual vendor. This “off contract” buying is monitored by Purchasing provided the amount is over \$1,000, thereby requiring a purchase order. Department heads are granted purchasing authority up to \$1,000; therefore, amounts less than \$1,000 are not monitored or tracked by Purchasing.

There are some exceptions to the usual procedure of awarding to the lowest bidder. In commodities with considerable recycled content, such as paper or motor oil, those vendors who supply items with acceptable recycled content may be awarded the contract even if their bid is as much as 12% higher than new or “virgin” product. This was done by resolution of the Board of Supervisors to encourage recycling. Another exception involves local vendors. Presently, a vendor with a business within the borders of the County may bid as much as 6% higher than a vendor outside the County and still get the award.

The Purchasing Manager presented to the Task Force a matrix summarizing purchasing decisions. The purchasing decisions were divided into four types: tangible purchases,

services, construction, and countywide purchases. Within each type, purchasing decisions differ based on dollar amount of the purchase.

	Up to \$1000	\$1000 to \$25,000	\$25,000 to \$99,999	\$100,000	Over \$100,000	Unlimited
Tangibles	See Note 1	Quotes (see note 3)	Formal Bid (see note 4)	>>	>>	>>
Services	See Note 1	NO BID	IS REQUIRED FOR ANY	SERVICE (see note 2)	>>	>>
Construction	See Note 1	Quotes (see note 3)	Informal Bid (see note 5)	Formal Bid	>>	>>
Countywides (see note 6)	Formal Bid (primarily used for tangibles aggregating over \$15,000/yr)					>>



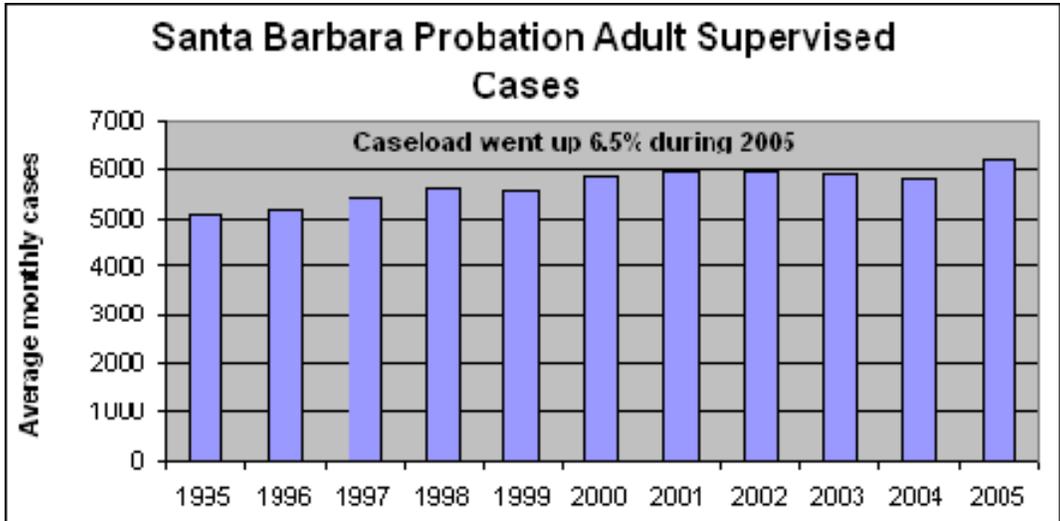
- Note 1 The decision is entirely up to the department
- Note 2 It is up to the department to assess skills, qualifications, licenses, and other requirements to award service contracts. There is no requirement to document evaluations of qualifications or to advertise the contract unless required by the funding agency (in the case of a grant).
- Note 3 Recommendation of user department significantly influences supplier selection, the final decision, however, is up to Purchasing.
- Note 4 Developed, evaluated, and awarded by Purchasing. Departments prepare specifications and have input into decision.
- Note 5 See County Code 2.41.1
- Note 6 Countywide contracts are used mainly to cover a list of items, used by several (if not all) departments or for services used by many or all departments. Examples are Office furniture, toner cartridges, fire extinguisher maintenance, computer maintenance.

The Purchasing division is not normally involved in the "department" or "Board of Supervisors" transactions, though will assist if requested by a department.

Probation Services

The Probation Department provided the Task Force with several significant pieces of information. One primary piece of information was the 549-page June 2003 Final Report of the Probation Services Task Force. That Task Force was a group of eighteen professionals representing the courts, counties, and probation services who thoroughly examined California's probation system. The report provided valuable insights for this Task Force to consider.

The County Probation Department also provided two additional pieces of analysis that were particularly informative to the Task Force and which are included herein. The first is the graphic immediately below depicting the growth in adult cases between 1995 and 2005.



An open question the Task Force believes needs to be evaluated is what are the benefits of misdemeanor services and do such services lead to a reduction of crime? If probation services are effective, what level of probation services would be required to ameliorate the need for a costly new jail in the North County? Can probation services reduce jail expenditures and the capital requirements of a new facility?

The following page depicts the growth in the Probation Department budget and General Fund contribution from the 1996-1997 budget year to 2005-2006. The Task Force noted that the General Fund contribution to the Probation Department increased from under \$7 million in budget year 1996-1997 to over \$16 million in 2005-2006.

Probation Department
Revenues, Expenditures, General Fund
Department Totals

	FY 96-97 Act.	FY 97-98 Act	FY 98-99 Act	FY 99-00 Act	FY 00-01 Act	FY 01-02 Act	FY 02-03 Act	FY 03-04 Act	FY 04-05 Act	FY 05-06 Adj
Total Sources	12,024,617	16,618,093	20,038,797	22,682,990	24,820,325	25,799,848	23,460,148	22,735,555	21,731,231	21,439,927
Total Uses	18,852,602	23,904,583	27,509,771	30,936,283	33,952,665	36,356,919	35,202,198	35,273,557	36,946,831	37,660,844
General Fund	6,827,985	7,286,490	7,470,974	8,253,293	9,132,339	10,557,072	11,742,049	12,538,002	15,215,600	16,220,917
GF as % of Total	36.2%	30.5%	27.2%	26.7%	26.9%	29.0%	33.4%	35.5%	41.2%	43.1%
Footnotes - significant changes:		<i>a</i>	<i>b</i>	<i>c</i>	<i>e</i>	<i>f</i>	<i>g</i>	<i>h</i>	<i>i</i>	<i>j</i>

Footnotes - significant changes:

a) Started Tri-County Boot Camp and Challenge I Grant (partial year)

b) Tri-County Boot Camp and Challenge I Grant operational for full year

c) Started Challenge II Grant and Mentally III Offender Grant (partial year). Increased Title IVE revenue due to additional claiming from added grant staff.

e) Challenge II Grant and Mentally III Offender Grant are operational for full year. Challenge I Grant ends (closeout portion remains)

f) Started Juvenile Justice Grant, Prop 36, OCAP, ROPP and Juvenile Drug Court. Increased Title IVE revenue due to additional claiming from added grant staff.

g) Ended OCAP, ROPP and Challenge I Grant closeout phase. Reduced Juvenile Justice Grant. Reduced Title IVE revenue due to loss of grant staff.

j) Added staff for Santa Maria Juvenile Hall expansion. Increased salary & benefit cost from new collective bargaining agreement.

STATISTICAL SECTION

The Task Force requested staff develop and compile certain statistical data. The comparative statistics of Santa Barbara County to other counties are included in this section. The Task Force believes the Board of Supervisors will find these statistical comparisons beneficial and as context for the recommendations.

Comparative County	Residential Population					Median Household Income (2)	Median Age (2)	Percentage in Jurisdiction				2003 Crime Index Per 100,000 (4)	
	2000 (2)	2001 (2)	2002 (2)	2003 (2)	2004 (2)			Males Age 15 - 29 (2)	Juveniles 0 - 18 (3)	Unemployed (2)	Owner-occupied Housing	Property	Violent
Marin	247,672	248,399	247,191	246,635	246,045	\$71,306	41.3	15.9%	20.8%	3.0%	63.6%	2,150.7	211.5
Monterey	403,165	408,258	411,578	414,423	414,629	\$48,305	31.7	24.8%	30.6%	8.0%	54.6%	2,150.7	211.5
Napa (1)	124,606	127,733	129,991	131,797	132,339	\$53,828	38.3	20.0%	23.0%	4.0%	65.1%	1,487.6	128.9
San Luis Obispo	247,713	250,867	252,055	253,072	254,566	\$42,428	37.3	25.3%	22.1%	5.9%	61.5%	1,246.2	143.8
Santa Cruz	255,804	255,339	253,352	251,725	250,633	\$53,998	35.0	23.6%	25.0%	6.1%	60.0%	1,911.8	243.8
Solano	397,201	404,555	409,503	411,636	412,970	\$54,099	33.9	21.5%	27.8%	6.1%	65.2%	1,851.9	534.5
Sonoma	460,446	465,724	465,902	467,304	468,450	\$53,076	37.5	20.3%	24.0%	4.3%	64.1%	758.8	202.0
Santa Barbara (1)	399,695	400,816	401,481	402,795	414,735	\$52,194	33.4	25.2%	26.3%	3.0%	56.0%	1,248.6	158.2

(1) Source: ICMA Center for Performance Measurement FY 2004 Data Report

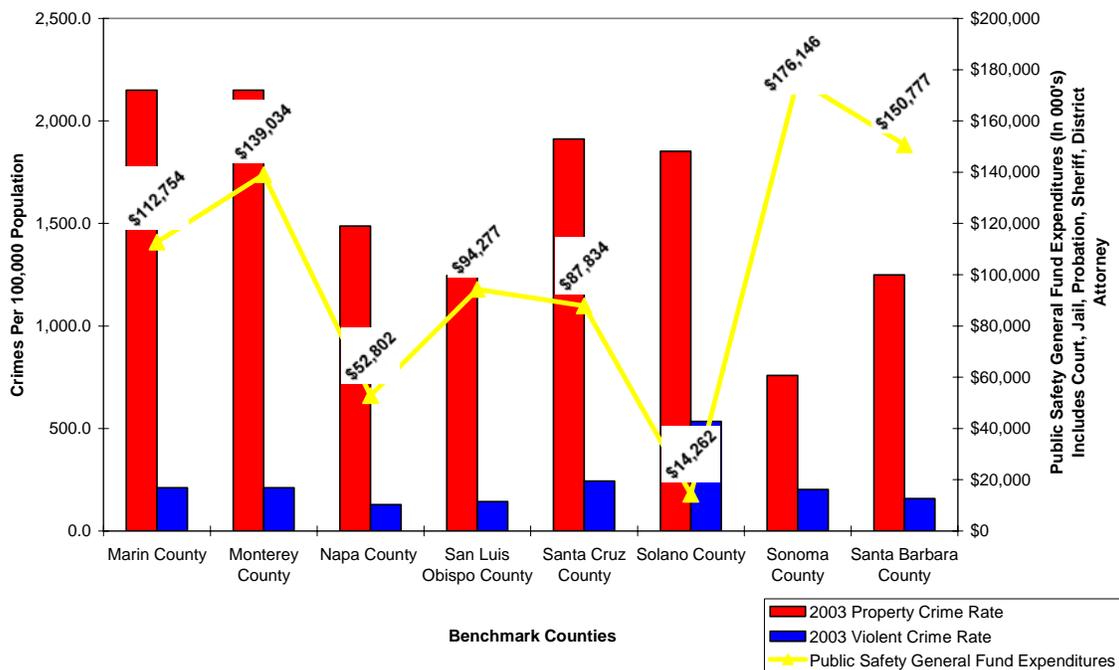
(2) [Census 2000 Summary File 4 \(SF 4\) - Sample Data](#)

(3) <http://www.cicg.org/publications/profiles/> 2003

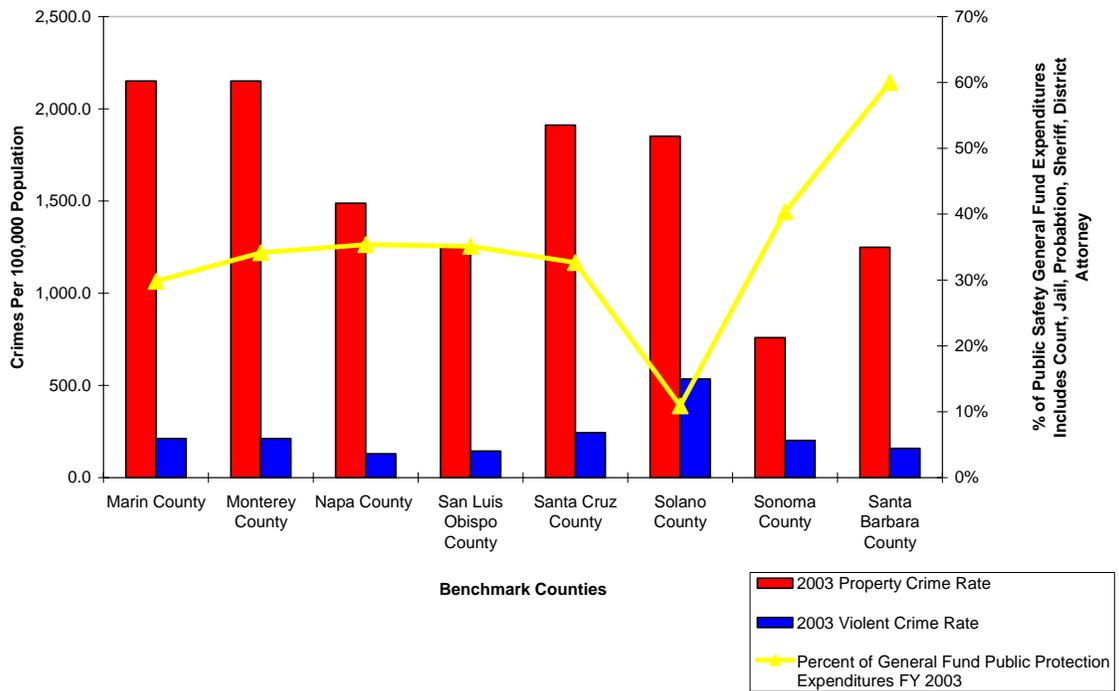
(4) FBI Uniform Crime Reports 2003

(5) Source: U.S. Census Bureau, Census 2000 Summary File 1, Matrix H4.

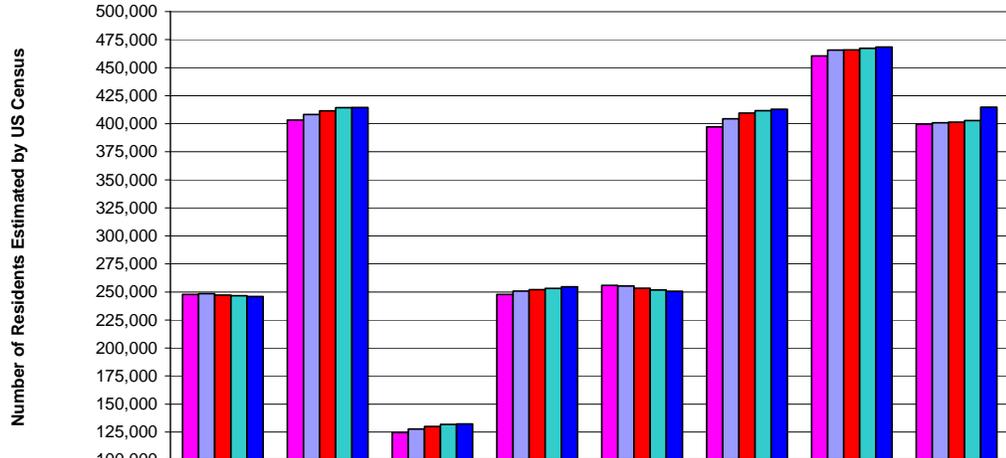
Public Safety General Fund Expenditures vs. Crime Rates



Percent of General Fund Public Safety Expenditures vs. Crime Rates



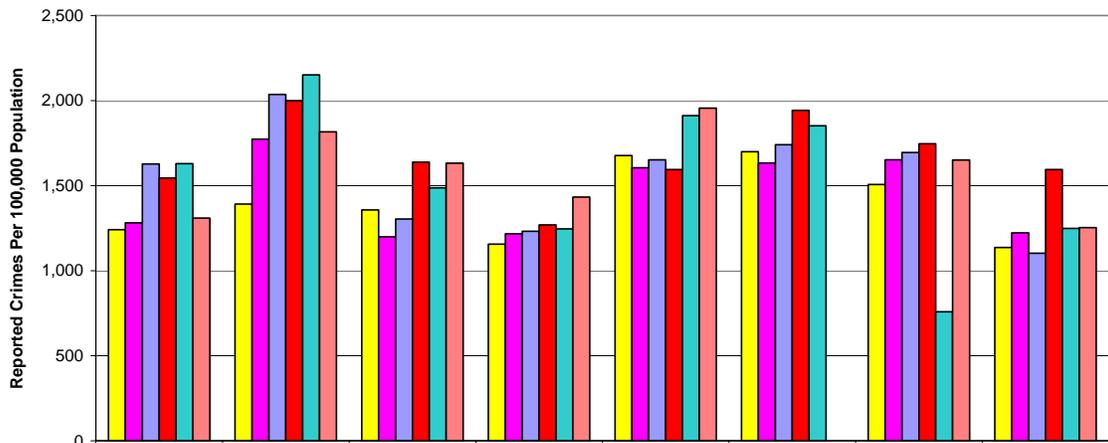
Population Trend



	Marin County	Monterey County	Napa County (1)	San Luis Obispo County	Santa Cruz County	Solano County	Sonoma County	Santa Barbara County (1)
Residential Population 2000 (2)	247,672	403,165	124,606	247,713	255,804	397,201	460,446	399,695
Residential Population 2001 (2)	248,399	408,258	127,733	250,867	255,339	404,555	465,724	400,816
Residential Population 2002 (2)	247,191	411,578	129,991	252,055	253,352	409,503	465,902	401,481
Residential Population 2003 (2)	246,635	414,423	131,797	253,072	251,725	411,636	467,304	402,795
Residential Population 2004 (2)	246,045	414,629	132,339	254,566	250,633	412,970	468,450	414,735

Santa Barbara Benchmark Counties

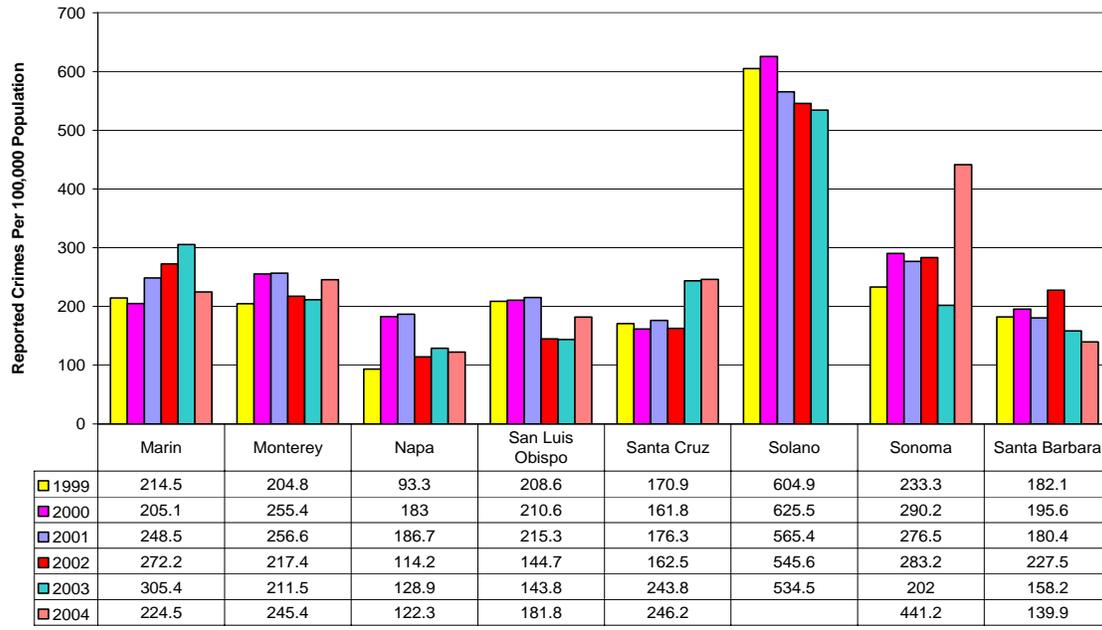
Property Crime Trend



	Marin	Monterey	Napa	San Luis Obispo	Santa Cruz	Solano	Sonoma	Santa Barbara
1999	1240.9	1391.9	1357.1	1155.4	1676.7	1,699.00	1506.6	1135.9
2000	1281.7	1773.5	1198.7	1216.6	1604.3	1,633.30	1651.8	1222.1
2001	1626.8	2035.9	1303.6	1232.2	1651.2	1,740.80	1694.7	1103.1
2002	1543.6	1999.3	1637.4	1269.9	1594.5	1,942.70	1746.3	1594.6
2003	1629.7	2150.7	1487.6	1246.2	1911.8	1,851.90	758.8	1248.6
2004	1309.4	1816.4	1631.8	1432.8	1955.5		1650.1	1253.3

Santa Barbara Benchmark Counties

Violent Crime Trend



Santa Barbara Benchmark Counties