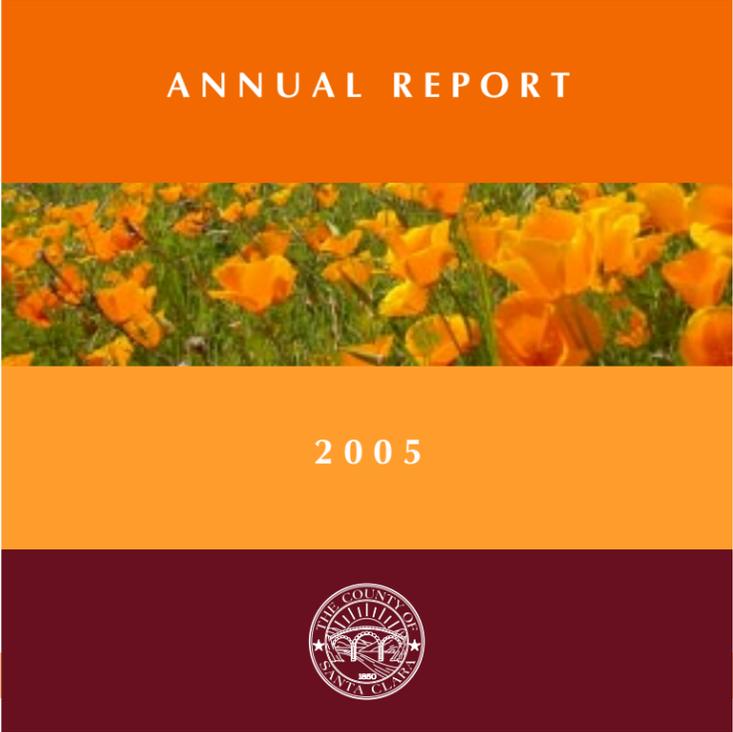


County of Santa Clara
California



County of Santa Clara
County Government Center
70 West Hedding Street
San Jose, California 95110
www.sccgov.org



MISSION STATEMENT

**The mission of the County of Santa Clara
is to build and maintain a healthy and
safe community for our residents**

CORE VALUES

The County of Santa Clara values...

Ethical conduct

Honesty and integrity

Respect for the individual

Fiscal responsibility

**A good work ethic that demonstrates individual
responsibility, accountability and productivity**

Commitment to public service, diversity and cultural awareness

MESSAGE FROM THE BOARD OF SUPERVISORS 2

MESSAGE FROM THE COUNTY EXECUTIVE 3

COUNTY OF SANTA CLARA ORGANIZATION 4

County Organization Chart 4

Policy Committees 5

COUNTY OUTLOOK 6

About Santa Clara County 6

Santa Clara County At-A-Glance 7

Economic Growth 7

Assessment Roll 8

County Revenues 9

County Reserves 9

Credit Rating 9

CHILDREN, FAMILIES AND SENIORS 10

Social Services 10

Child Support Services 11

HEALTH AND HOSPITAL SYSTEM 12

Unexpected Closure of San Jose Medical Center 12

Community Health Issues 13

Innovative Plan to Meet Mental Health Needs 14

Improving Medical Care for Stroke Victims 14

Promoting a Healthy Community 15



HOUSING, LAND USE, ENVIRONMENT AND TRANSPORTATION 16

Affordable Housing 16

Land Use Policies 17

Habitat Conservation 18

Green Businesses 19

County Parks 19

Fighting West Nile Virus 21

County Roads and Airports 21

Measure B Transportation Program 23

PUBLIC SAFETY AND JUSTICE 24

Fire Department 24

Juvenile Detention Reform 24

James Ranch Security Issues 26

Adult Probation Reaches Out to the Community 27

Preparing for New Threats 27

Protecting the Community 28

Senior Homeowners Protected from Fraud 29

DNA Database Aids Law Enforcement 29

FINANCE AND GOVERNMENT 30

County Workforce Challenges 30

Enhanced Access to Agenda Online 31

User Friendly E-government 31

Top-ranked County Library System 31

Electronic Voting a Success 32

Upgrading County 9-1-1 Resources 32

Energy Savings 33

Independent Management Audit Division 33

Capital Improvements Program 34

FINANCIAL HIGHLIGHTS 36



Message from the Board of Supervisors



Donald F. Gage
District 1



Blanca Alvarado
District 2



Pete McHugh
District 3



James T. Beall, Jr.
District 4



Liz Kniss
District 5

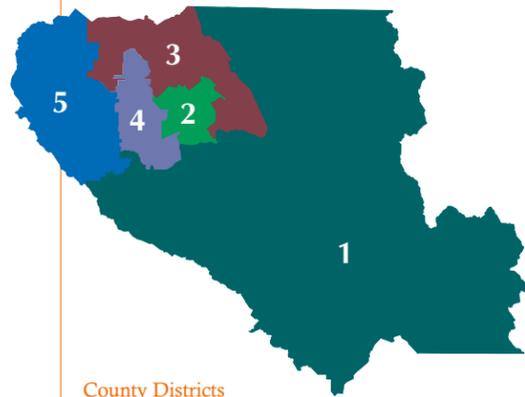
The County of Santa Clara Board of Supervisors began the year with a daunting task of balancing the County's budget while facing shrinking resources and financial uncertainty at both the state and federal levels. However, we bit the bullet and made a number of tough decisions. At the end of the day, we approved a budget that not only includes cost saving strategies, but it also is a budget that reflects our values and priorities. It preserves the safety net services for our community.

Counties are in the unique position of often being the service provider of last resort. For many in our communities, we represent the lifeline that keeps a family together, or provides a safe place for children who otherwise would go hungry, abused or neglected. We provide medical services to those who are turned down elsewhere - an important task in protecting the health of the overall community. We maintain public safety and steward the environment - services that benefit the community as a whole.

We take our fiduciary responsibilities very seriously and are mindful of the legacy that we will leave our community and future generations who will reside in or visit Santa Clara County. Nearly sixty percent of the County's General Fund revenue comes from the state and federal governments. Throughout the year, we have worked with our counterparts and legislative representatives on state and national issues that affect county funding. We fought against the Medicaid waiver and federal Medicaid cuts and supported the creation of a bipartisan commission to propose systematic Medicaid reforms. We spearheaded the creation of a Bay Area Counties Caucus to work together on regional issues.

The County is a large and complex organization essential to the fabric of a healthy, vibrant community. We are encouraged by the results of a recent survey of county voters, which revealed concern about the continuing budget cuts and broad support for County services, such as health care, emergency services, and programs for abused and neglected children. These are just a few areas of service the County provides.

The year has been filled with challenges, an absolute commitment to the residents we serve, and a number of noteworthy accomplishments. Thank you for the opportunity to share the highlights of the County of Santa Clara's service to the public.



County Districts

Message from the County Executive



Peter Kutras, Jr.
County Executive

During the peak of the recent recession, the County of Santa Clara was in better financial shape than many other counties in the state because the Board of Supervisors had the foresight to set aside reserves for "economic uncertainty." However, because we have experienced the longest sustained recession in our county's history, it still has been necessary to make drastic budget cuts. During the past three years, the County has implemented expenditure reductions and revenue sources totaling \$640 million. We've reduced the budget by eliminating vacant positions, freezing hiring, offering early retirement to eligible employees and reducing services.

While these actions were substantial, they are not enough to correct the ongoing structural imbalance in the county's budget. Simply stated, a structural budget deficit means that the current methods used to finance county government are inadequate to cover the cost to maintain the current level of services.

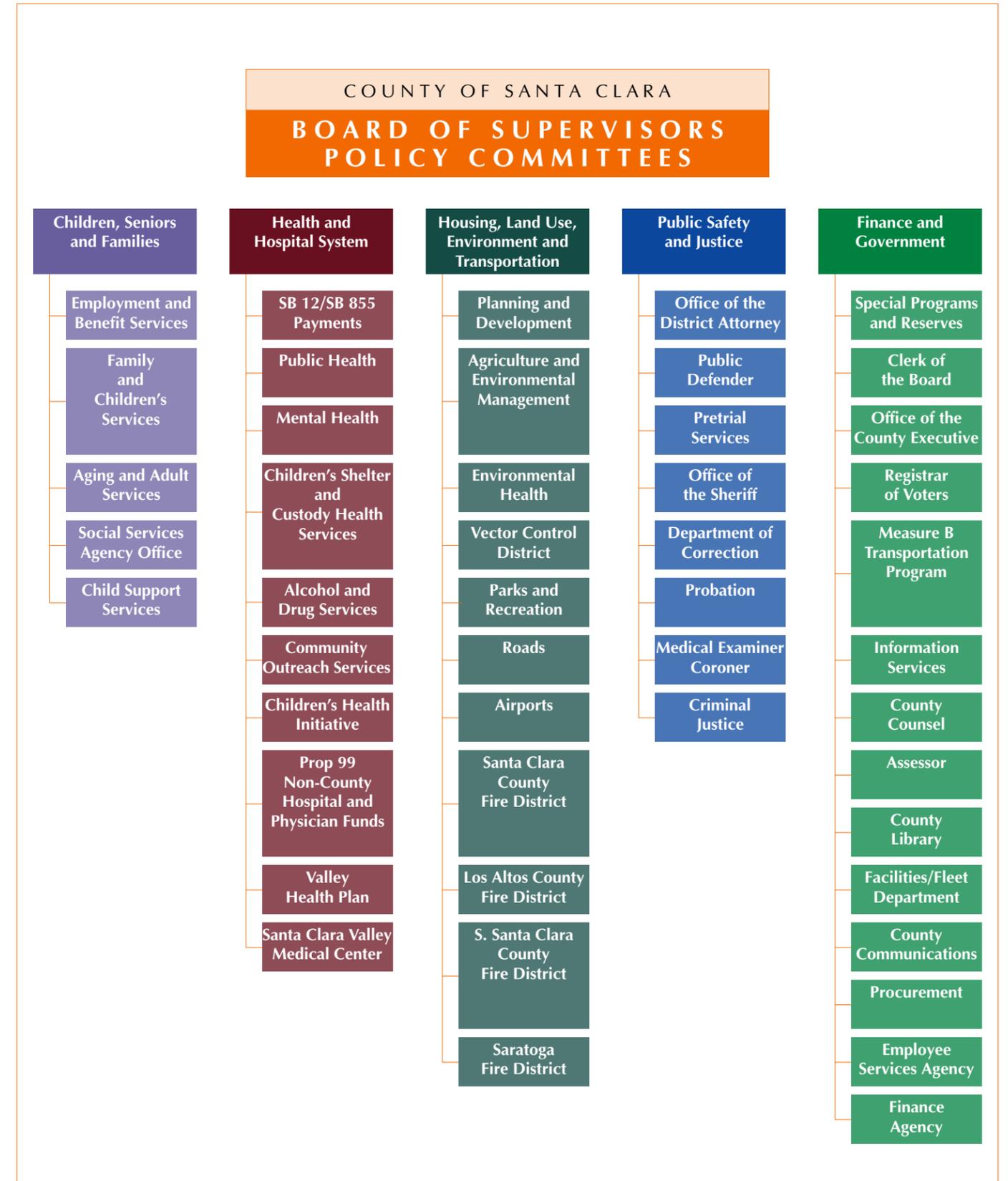
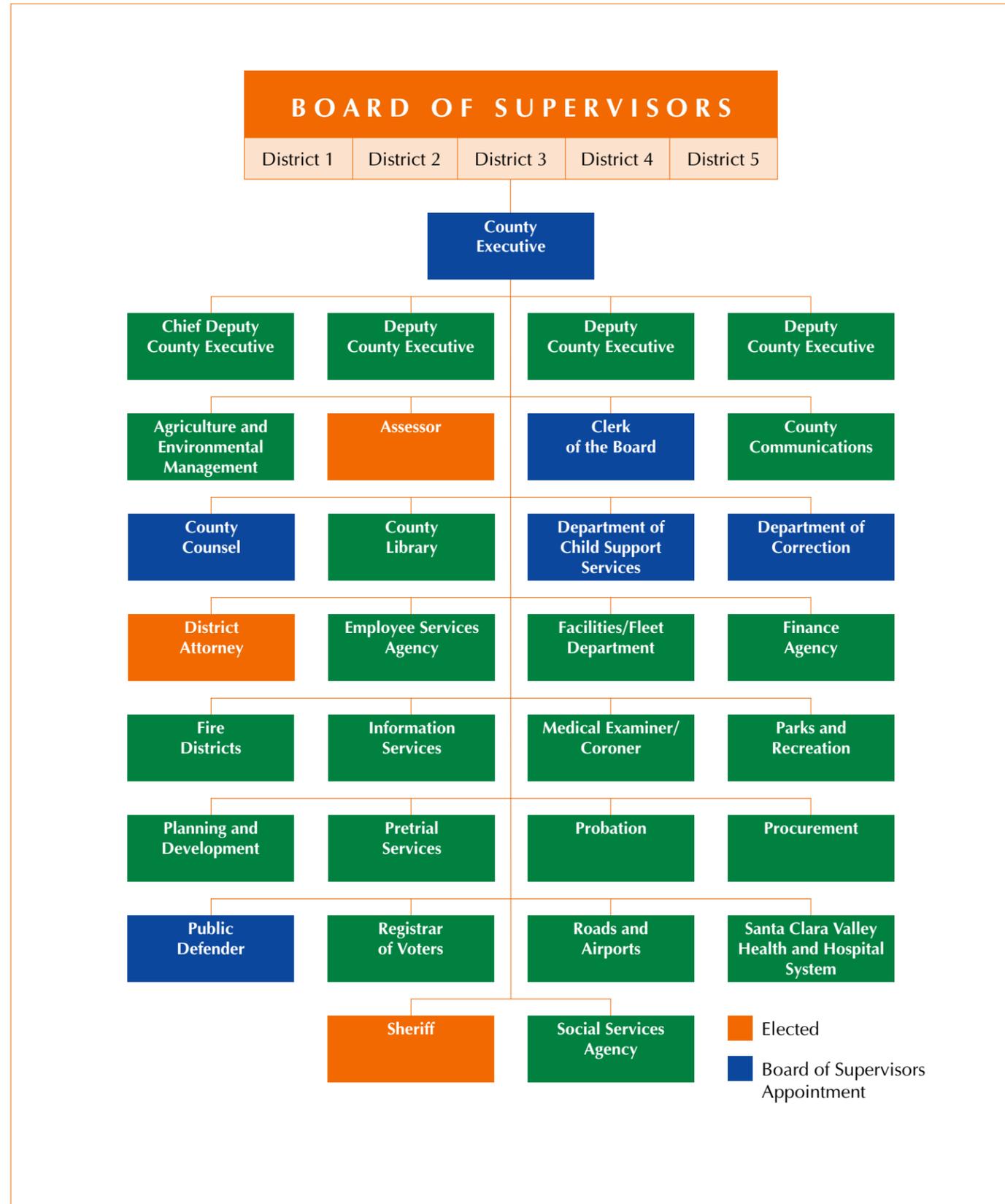
When the local economy is strong, the county reaps the benefit of more tax revenue to support programs and services. When the economy is weak, the demand for county *safety net* services is greater – at the same time that revenue shrinks.

Despite these challenges, our focus continues to be finding effective and creative ways to deliver much-needed services to county residents.

Chances are that on any given day, you or someone you know use or benefit from County programs, services, or amenities. Whether it is County activities to control the spread of communicable disease, keep our communities safe from crime, provide health insurance for uninsured children and medical services regardless of patient insurance status, maintain county parks, roads and expressways, or protect seniors from abuse – all of these services help to make our communities great places to live.

The challenge ahead is to find a way to continue to finance these vital County services. We are confident that with the Board's continued leadership and collaboration with community residents, we will be able to find sustainable solutions.

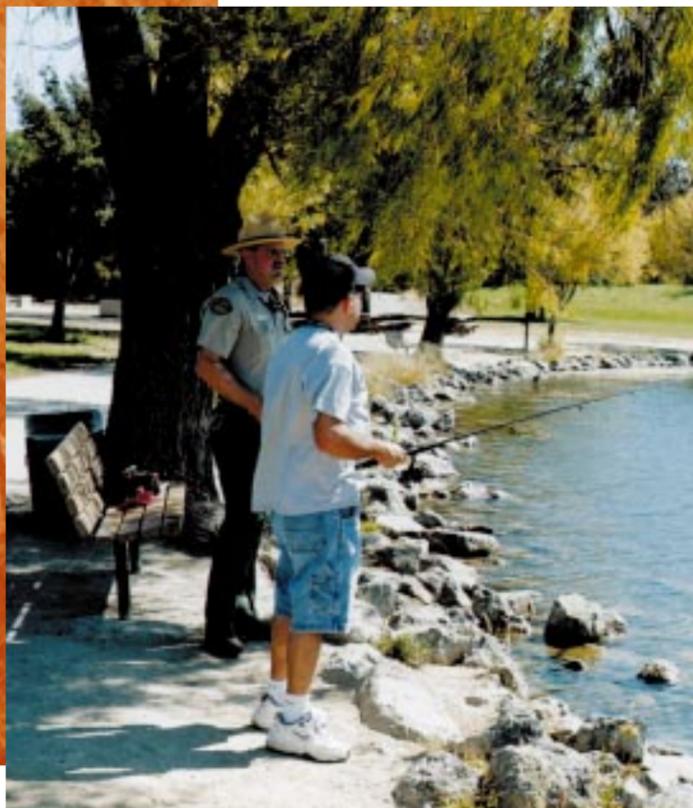
On behalf of the dedicated employees of the County and our community partners, it is indeed a pleasure to present our 2005 Annual Report.



ABOUT SANTA CLARA COUNTY

Santa Clara County was named after Mission Santa Clara, which was established in 1777 in honor of Saint Clara of Assisi, Italy. Clara means “clear” or “bright,” an appropriate name for an area with magnificent natural amenities and one of the highest standards of living in the country. Also referred to as “Silicon Valley,” the county has long been considered one of the best areas in the United States to live and work.

Santa Clara County is located at the southern end of the San Francisco Bay. The fertile Santa Clara Valley runs the entire length of the county from north to south, ringed by the rolling hills of the Diablo Range on the east, and the Santa Cruz Mountains on the west.



Today, the county is a major employment center for the region, providing more than a quarter of all jobs in the Bay Area. It has one of the highest median family incomes in the nation, and a wide diversity of cultures, backgrounds and talents. Santa Clara County continues to attract people from all over the world.

The county’s population of approximately 1.7 million is the fifth largest in California, and the largest of the nine Bay Area counties. There are 15 cities in the county including Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San José, Santa Clara, Saratoga and Sunnyvale. Each of the cities has its distinctive character. San José is the largest city in the County, with a population of nearly 944,000, and is the administrative site of County Government. A significant portion of the county’s 1,315 square miles is unincorporated ranch and farmland. Nearly 92 percent of the population lives in cities.

Santa Clara County has a culture rich in history, ethnic diversity - over 100 languages and dialects spoken - artistic endeavors, sports venues and academic institutions.

In sports and recreation, San José is home to teams for minor league baseball and the San José Sharks, the only professional ice hockey team in Northern California. Numerous public and private golf courses are located throughout the County.

For education, the County is home to three major universities - San José State University, Santa Clara University and Stanford University - as well as excellent community colleges.

SANTA CLARA COUNTY AT-A-GLANCE

County of Santa Clara – established by Charter 1850
 2006 Budget - Total \$3.6 billion,
 General Fund \$2.1 billion
 Full Time Equivalent Positions – 15,031

Population*

Total in County	1,759,585
Living within 15 cities	1,661,112
Living in unincorporated areas	98,473
Largest city (San Jose)	944,857
Smallest city (Monte Sereno)	3,505

Racial and Ethnic Background**

White (Non Hispanic nor Latino)	44.2%
Hispanic or Latino of any race	24.0%
Asian	25.6%
Black or African American	2.8%
American Indian/Alaska Native	0.7%
Native Hawaiian/ Other Pacific Islander	0.3%
Some other race	12.1%
Two or more races	4.7%

Registered Voters***

As of September 2005	768,567
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Sources

* 2005 Population and Housing Estimates for Santa Clara County, SCC Planning Office

** 2000 Census

*** County Registrar of Voters

technology, and finally launching into an economy of high-productivity and cutting-edge innovation. During this period, the Valley’s economy has moved from employing brown- to blue- to white- to gold-collared workers. The region’s major industry clusters are software, hardware, innovation services, biomedical, and electronic components.

Recent economic indicators show that after three years of economic downturn, the Valley’s economy is beginning to show signs of a moderate economic recovery. Unemployment is steadily declining, though it’s still higher than the statewide average. The level of entrepreneurship and investments in the innovation sector has increased. The number of fast-growth companies and the number of patents generated in the Valley grew for the first time in five years. Productivity of the region’s workforce rose to 2.5 times the national average. Taxable sales have started showing signs of positive growth, but the County’s share of the statewide taxable sales pool still continues to shrink, as its recovery rate is slower than the other major clusters of economic activity in the state.

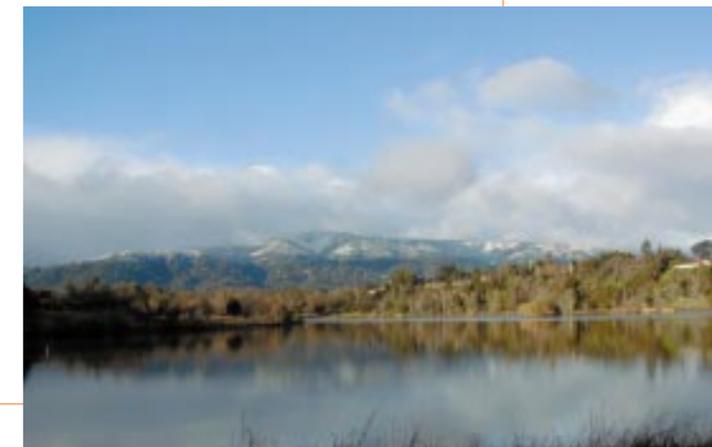
The momentum of the economy fuels the County’s significant revenue sources which are comprised primarily of taxes, payments from state and federal governments and charges for services.



City of Morgan Hill

ECONOMIC GROWTH

Santa Clara County is the largest member of the Silicon Valley economic region - a world leader in development of new technologies and industries. During the last three decades, the Silicon Valley’s economy has transitioned from being sustained first by agriculture, next by manufacturing, then by services, followed by high



Vasona Lake County Park



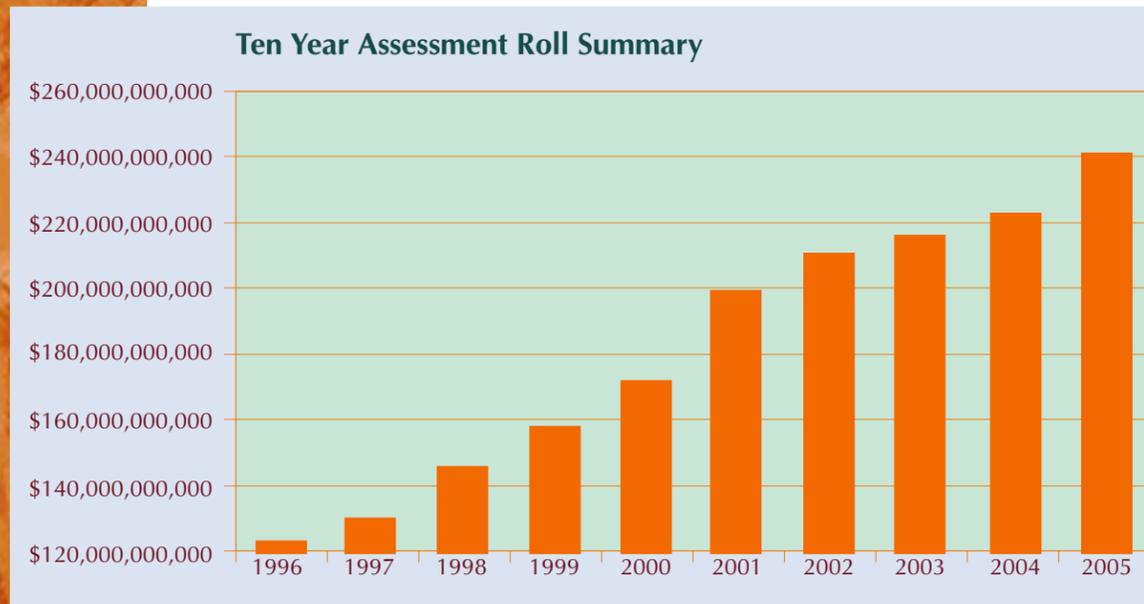
ASSESSMENT ROLL

The assessed value of property in Santa Clara County increased by \$17.76 billion over last year. The majority of the increase in the County's assessment roll is attributed to an increase in both new construction and the number of residential properties that have changed ownership. In contrast, the value of commercial and industrial properties, while stabilizing, has been relatively flat. The total assessed value, net of institutional exemptions (e.g., church and welfare), was \$240.14 billion.

The assessment roll is the basis for property taxes. Property taxes, in turn, provide an essential source of revenue

to support basic public services provided by schools and local governments. These public institutions form the foundation of our region's quality of life.

Driven by low interest rates, attractive mortgages and a recovering local economy, assessment increases were recorded in all residential properties including single-family homes, condominiums, and multi-family apartments. At the same time, commercial properties, including shopping centers, industrial properties, and research and development campuses have stabilized for the first time in three years. The office building market, however, continues to languish.



COUNTY REVENUES

The County's largest discretionary revenue source, secured property taxes, grew 8.3 percent in fiscal year 2005. This tax source is projected to grow 9.0 percent in fiscal year 2006 and is projected to grow at a reduced rate of approximately 8.5 percent in future years. Other economic driven revenue accounts grew moderately.

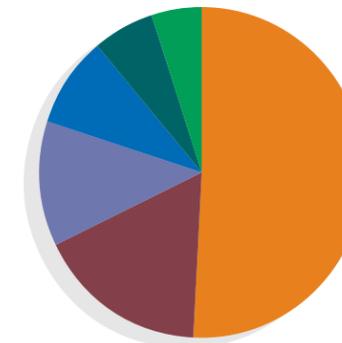
State budget reductions continue to negatively impact county programs in fiscal year 2005-06.

COUNTY RESERVES

The uncertainty of the impacts of the State budget deliberations and the Governor's proposed initiatives continues to cause concerns about future funding for County services. County officials have to balance these issues when addressing the needs of residents. To prepare for these uncertainties, the County has set aside \$76.6 million in reserves—\$72.2 million in contingency reserves and \$4.4 million in reserves for economic uncertainty for fiscal year 2006.

CREDIT RATING

For its outstanding revenue bonds and certificates of participation, the County has maintained an AA rating from the Standard & Poors (S&P), and an Aa3 rating from the Moody's Investors Service. S&P has also maintained the County's general obligation bond rating to AA+. This combination of S&P ratings is the highest rating any large California County has ever achieved since Proposition 13 was passed in 1978. The County's TRANS ratings are SP-1+ from Standard & Poors and MIG 1 from Moody's. Each rating is the highest awarded for short-term notes.



How Your Tax Dollars are Spent

- K-12 Public Schools - 51%
- County - 17%
- Cities - 12%
- Redevelopment Agencies - 9%
- Community Colleges - 6%
- Special Districts - 5%



The Office of the Assessor was recognized by the California Association of Counties for the Electronic Filing of Business Property Statements through a statewide system that has saved companies thousands of dollars in printing and postage costs



The Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004

This was the sixth consecutive year the County has achieved this prestigious award



SOCIAL SERVICES

In 2005, the Social Services Agency (SSA) accomplished a major computer conversion. CalWIN, the CalWORKS Information Network, replaces the prior information systems that automate eligibility determinations, management reporting, and some case management functions for the CalWORKS, Food Stamps, Medi-Cal, General Assistance and Foster Care programs. It is anticipated that this conversion process will continue to require a substantial amount of staff time and resources in 2006, as employees clean up discrepant case data and become familiar with the new system's functionality.

Employment and Benefits

Despite the continued sluggish economy, the CalWORKs Employment Services program increased job placements by 9% compared to the previous year, and the overall average wage at placement increased 10%, with starting pay averaging \$10.35 per hour. CalWORKs Employment Services will continue efforts to enhance education, employment, and training opportunities for clients, as well as provide support services, such as transportation and child care, in 2006.

SSA pursued over a million dollars in grants from various foundations and agencies in 2005. The Agency continued to seek funding for the countywide Safely Surrendered Baby public education campaign and was recently awarded funding from the Lucile Packard Foundation to produce a

training video for junior and senior high school students. The California Department of Social Services recently awarded the Agency a grant for nearly \$1 million to establish support services for relative caregivers. Grant funding also has been received to support services for foster youth as they approach the age of emancipation. Support includes innovative programs providing transitional affordable housing, education/employment assistance, and assistance finding permanent caring adults to support the youth as they become independent.

Child Welfare

In child welfare, the County continues to make noticeable progress in reducing the number of children removed from their homes, and increasing the number of children that can be safely supported in their home or in the home of a relative caregiver. Removals have declined by almost 15% over the past five years, down from 1,066 in 2001 to 909 in 2005. Now approximately 45% of children who are removed are placed with relative caregivers. A new Family Finding Unit was established by the Department of Family and Children's Services (DFCS) to locate family members who can provide foster children with emotional support, as well as potentially act as a caregiver while the child is a court dependent.

The objectives of the DFCS include reducing the overrepresentation of children of color upon first entry into foster care, increasing timely response to reports of child abuse and neglect, increasing timely contacts with child-

ren receiving services, reducing the number of foster care placements for children, and reducing the incidence of children reentering foster care. The department is using team decision making, parent orientation classes and family conferencing as tools to achieve these objectives.

Expansion of the SSA joint response with law enforcement has helped to reduce the number of children coming into protective services. In 2005, Enhanced Joint Response (EJR) by law enforcement officers and social workers to reports of serious abuse and neglect was fully operationalized in the cities of San Jose and Santa Clara, the locations of more than 75% of these reports. Countywide implementation is a foreseeable accomplishment in 2006.

Two new pilot programs at the Children's Shelter have been successful in helping foster children learn new skills in communication and resiliency, as well as ensuring that they receive necessary mental health referrals and treatment.

Protecting Seniors

The Department of Aging and Adult Services (DAAS) continues to focus on education and prevention of elder financial abuse - one of the biggest issues facing older adults in Santa Clara County. DAAS actively supported successful efforts to enact legislation in California making Financial Institutions mandated reporters of elder/dependent adult financial abuse. Employees in financial institutions, such as banks and

credit unions, must now report instances of suspected financial abuse to either law enforcement or the Adult Protective Services program for further investigation.

The Department reached out to thousands of older adults through the Senior Forum, sharing information on avoiding financial scams, as well as the 14th Annual Adult Services Resource Fair featuring a variety of workshops and health screenings.

CHILD SUPPORT SERVICES

Although the Department of Child Support Services has experienced its third year of staff reductions and increased operation costs, it has improved performance in a number of federal performance measures. Child support collections are up 2.5 % and support orders have been established in over 80% of the Department's cases, a marked improvement over the previous year.

One more year of flat-line budget allocations is seen as a best-case scenario as the State struggles to adopt a new allocation methodology. Looming on the horizon is the potential for reductions in federal financial participation in the child support program.



The Department of Aging and Adult Services received the National Adult Protective Services Association President's Award for its work to protect elders from abuse



The Social Services Agency met the Medi-Cal Performance Standards and Food Stamp Error Rate targets, and was recognized by the USDA for program integrity



UNEXPECTED CLOSURE OF SAN JOSE MEDICAL CENTER

The community was stunned in late 2004, when San Jose Medical Center announced it would close its doors in early 2005, a full two years earlier than originally planned. The announcement provided 90-days notice, little warning and little opportunity to prepare. The closure shifted many of the costs of medical care from private to public dollars as the County had the immediate responsibility to provide or arrange medical services for many of the nearly 35,000 emergency room patients and 1,900 trauma patients previously served at hospital.

Study Examines Impacts

A study commissioned by the County and City of San Jose looked at the impact of the closure on serious trauma cases because San Jose Medical Center was one of three designated trauma centers in Santa Clara County. Its closure put a greater demand on the remaining two trauma centers at Santa Clara Valley Medical Center and Stanford Hospital.

The County developed contingency plans to meet patient needs associated with the closure. Valley Medical Center reorganized its trauma, emergency, and urgent care processes to accommodate the abrupt closure, and has experienced double its normal trauma volume and a surging increase of 10,000 visits to the Emergency Department.

The County allocated additional funding to the hospital to ensure access to quality health care for the community.



COMMUNITY HEALTH ISSUES

The County monitors the community for emerging public health issues that could impact the daily lives of people in Santa Clara County. A series of public health issues occurred during the past year, affecting the community and necessitating a public health response from the County.

The continuing threat of West Nile Virus required the Public Health Department to partner with Vector Control to intensify its education campaign for residents and to implement ground fogging for adult mosquitoes.

A severe shortage of the flu vaccine worldwide necessitated the County, in conjunction with the State of California, to declare a local emergency due to the limited supply of the influenza vaccine for the 2004-2005 influenza season. Healthcare providers in Santa Clara County were ordered to limit flu vaccine shots to high-risk individuals and to not immunize healthy individuals.

Working in cooperation with the medical community, the County discovered and identified *Mycobacterium fortuitum* furunculosis, a bacterial infection that people were contracting after having pedicures at nail salons. The County brought it to the attention of the State which then conducted a full investigation.



Santa Clara Valley Medical Center earned an honorable mention by the California Association of Public Hospitals for reducing emergency department utilization by patients and improving patient flow





INNOVATIVE PLAN TO MEET MENTAL HEALTH NEEDS

In late 2004, California voters passed Proposition 63, the Mental Health Services Act (MHSA), to address the severe mental health needs of underserved populations in Santa Clara County. The MHSA calls for a system of accessible, effective community-based services designed to reach the target population and reduce the stigma associated with mental illness.

Prop. 63 is expected to generate \$700 million in revenue statewide during its first year, and Santa Clara County is expected to receive approximately \$13.4 million annually for the next three years. To ensure that these resources will be allocated where they are most needed, the County's Mental Health Department collaborated for the past year with community stakeholders and residents, using a process which will likely become a model for the state.

The result is an innovative, comprehensive three-year mental health services plan. The plan identifies mental health needs and will seek to address disparities in services to various segments of the population. Those populations include the underserved Latino, Asian and American Indians among all ages; Latino, African American and American Indian overrepresented in the criminal justice system, or who lack housing or are in foster care; refugee, immigrant and monolingual communities; Lesbian, Gay, Bisexual, Transgender (LGBT) community; and the developmentally disabled. All of the groups have greater needs and are less served in the current system.

The County studied and evaluated the needs of underserved populations in the community, and learned that those suffering from mental health disorders are people of all ages and ethnicities, with one common factor — poverty.

The absence of resources both contributes to and makes it difficult for them to attend to mental health concerns. The most frequently noted concerns across all age groups are: trouble with the law, incarceration; concurrent substance abuse; abuse, neglect, violence, trauma; sadness, depression, loneliness, isolation; poverty, homelessness, inadequate housing; failing school and jobs, meaningless activities; concurrent medical problems; institutionalization, hospitalization; and problems with families and peers.

The goal is to transform the current mental health delivery system in the county into a state-of-the-art, community-based, consumer and family driven, and recovery-oriented health care system for each resident in need of such services. The plan must now be approved by the State of California Department of Mental Health.

IMPROVING MEDICAL CARE FOR STROKE VICTIMS

Stroke is the third leading cause of death in the United States and a significant cause of disability. Medical evidence has shown that quick identification and treatment can significantly reduce the mortality and morbidity of stroke.

The Joint Commission on Accreditation for Healthcare Organizations (JCAHO) provides national certification for hospitals that adhere to specific guidelines for stroke care. Four hospitals in the County are currently certified including Good Samaritan Hospital, Kaiser Permanente Santa Clara, Kaiser Permanente Santa Teresa, and Stanford University Medical Center.

Santa Clara Valley Medical Center has received preliminary designation as a Stroke Center and is awaiting final approval from JCAHO.

This past year, the County adopted an approach to improving the identification, transport and treatment of stroke victims. The County endorsed Primary Stroke Centers as hospitals of choice; and initiated a policy that would redirect ambulances to Primary Stroke Care hospitals in Santa Clara County.

PROMOTING A HEALTHY COMMUNITY

Mexican immigrants use fewer key preventive health services than U.S.-born Mexican Americans and non-Hispanic whites. The immigrant disadvantage is due, in large part, to many having no regular source of care, no health insurance coverage, or neither, according to the California-Mexico Health Initiative from UCLA Center For Health Policy Research.

Binational Health Week

Connecting migrant/immigrant farm workers with appropriate healthcare services was a high priority in 2005. The County partnered with the Mexican Consulate in San Jose, to launch the first local Binational Health Week (BHW), a series of health promotion

and education activities aimed at health prevention for Mexican-origin and other Latino migrant/immigrant workers and their families. Binational Health Week activities focused on cervical and breast cancer screening, STDs/HIV, immunizations, diabetes, nutrition and exercise, health insurance coverage, and work-related injuries.

Latinos represent about 24% of the population of Santa Clara County. Mexican immigrants represent 23 million nationwide, of which 50% lack health insurance. Nationwide, Mexican immigrants represent 95% of agricultural workers and 65% of construction workers.



Above: Rehabilitation Center at Santa Clara Valley Medical Center

Left: The Binational Health Week kick-off celebration included a blessing by Danza Azteca Mictlan



AFFORDABLE HOUSING

The need for affordable housing continues to be a challenge for many areas in California. The Office of Affordable Housing was created in July 2003. A special fund of \$18.6 million was established to leverage affordable housing projects. In 2005, the County distributed \$8 million of those funds to assist in the development of affordable housing, bringing the total contribution for the last two years to \$14.5 million. This year's funds helped to create 425 new housing units for low income individuals, families, and seniors, bringing the total to 1,000 new housing units and 400 new shelter beds for the homeless.

The first ever point-in-time Homeless Census and Survey identified 7,100 homeless individuals, or 20,000 annually. The County has adopted *Keys to Housing: A 10-Year Plan to*

End Homelessness in Santa Clara County. The task ahead is to work with cities, the business community, and homeless services agencies to move the chronic homeless, or street homeless, into decent permanent housing with supportive services within 10 years.

Thirty percent of the proceeds from the sale of any General Fund real estate asset will be allocated to support affordable housing initiatives.

Construction is underway on the Corde Terra Family Housing Community, the latest activity in the County's master plan to revitalize the Santa Clara County Fairgrounds. Corde Terra Family Housing Community will be comprised of 343 housing units including 300 affordable family apartments and 43 single-family homes. This project, which is the first phase of the Corde Terra development, is expected to be ready for occupancy in April 2007.



Corde Terra Family Housing Community

LAND USE POLICIES

Land Use Policies were prominent throughout the year. At the local level, issues pertaining to the administration of the Williamson Act and the incorporation of urban pockets of unincorporated land dominated public discussion. At the state level, the matter of redevelopment reform and its impact on individuals, organizations and counties was in the spotlight.

Williamson Act Contracts

County residents owning unincorporated agricultural land under the Williamson Act are facing new policies and procedures aimed at bringing land contracts into compliance with the Land Conservation Act of 1965 (Williamson Act). New County policies that will affect contracts for 340,307 acres of unincorporated land in the county have been developed.

The Williamson Act creates an arrangement whereby private landowners contract with counties and cities to voluntarily restrict land to agricultural and compatible uses. Landowners under contract forego the possibility of converting their property into non-agricultural uses during the term of the contracts, in return for lower property taxes. The local government and state forego a portion of their property tax revenue in return for the planning

advantages and values implicit in retaining land in commercial agricultural use. The new policy changes address issues that resulted from many factors including continued subdivision of contract parcels over the years.

Urban Pockets

The County of Santa Clara Board of Supervisors adopted a resolution to address annexation of pockets of unincorporated areas in the county. Annexation is not a new issue and has been a part of the General Plan for more than 30 years. The resolution adopted by the Board outlines actions to address issues that may impede cities from taking advantage of a State approved streamlined process to annex certain unincorporated areas within their city boundaries.

Among the benefits of annexation are uniform development standards and the opportunity for residents to fully participate in city elections. Before any action is taken, the Board will notify residents and hold public hearings to discuss annexation.

Redevelopment Reform

Redevelopment is a tool available to cities and counties to remedy "blighted" areas under State statute. A redevelopment agency may create one or more project areas where conditions of blight exist and must



The California Department of Pesticide Regulation declared the County of Santa Clara as the 2005 Integrated Pest Management Innovator
<http://ipm.sccgov.org>



Ceremonial signing of the Habitat Conservation Plan Agreement

adopt a redevelopment plan for each such area that defines how blight will be eliminated, what redevelopment will occur, and how the project will be financed. The principal method of financing redevelopment is through “tax increment financing.”

This method of financing establishes the assessed value of the property when the plan is developed. The assessed value that year becomes the “base year” for tax purposes. Counties, schools, cities and special districts only share in property taxes on those base year values. Any additional property taxes that come as a result of the redeveloped property are considered tax increments and are paid directly to the redevelopment agency.

Santa Clara County has redevelopment agencies in 9 of our 15 cities, including the State’s largest agency in San Jose. Over the past ten years, these agencies have diverted over \$2 billion in property tax revenue from the county, schools, cities and special districts. On

average over the last five years, these redevelopment agencies have received more property tax revenue than the County. This inequity is compounded by the fact that redevelopment agencies have no service delivery mandate while virtually every service the County provides is a mandated service.

This diversion of property taxes is equivalent to “fiscal eminent domain,” an unfair and unsustainable taking of property taxes needed to deliver services to residents. This is especially alarming, given attempts to extend the life of redevelopment agencies and liberalize the definition of “blight.”

The County is calling for the State Legislature to impose a stricter definition of blight, restrictions on the use of eminent domain, and the requirement for voter approval, state oversight, litigation procedures, more notice to prospective homebuyers, and limits on the spending for City Halls.

This year the County will lead a statewide effort of counties to push for redevelopment reform.

HABITAT CONSERVATION

Agreement has been reached among six local agencies to develop a plan for protecting native wildlife and vegetation in most of Santa Clara County’s remaining undeveloped areas, while still allowing appropriate development to occur. Over the next three years, a final Habitat Conservation Plan will be designed to protect native wildlife, including the California tiger salamander and steelhead trout, rare vegetation found only on serpentine soils, California live oaks, and wetlands throughout Santa Clara County. The planning area includes roughly 700

square miles. Large tracts of land, from the Santa Clara County/Alameda County border south to the county’s boundary with San Benito County, and from the western edge of San Jose east to the crest of the Diablo Range, may be included in the plan.

GREEN BUSINESSES

The County promotes environmental conservation through its “Green Business Program.” The program encourages and assists local businesses to identify and implement practices to prevent pollution, protect water quality, conserve water and energy, reduce generation of waste, and increase recycling. Santa Clara County Integrated Waste Management Division certified 16 businesses. The Program’s goal is to more than triple that number in 2006.

COUNTY PARKS

Rolling hills, lakes, creeks, and miles of hiking, biking and equestrian trails are among the natural amenities found in Santa Clara County parks. Many parks feature points of local historic interest. During the past year, the Santa Clara County Parks and Recreation Department opened nearly 14 miles of trails at Coyote Lake-Harvey Bear Ranch County Park. The trails included a new 4.5-mile section of the Bay Area Ridge Trail Network, planned as a part of a 500-mile trail encircling the Bay Area.

The expansive 4,595-acre park also features a 635-acre lake and camping, picnic, fishing and boat launch opportunities in the scenic Mount Hamilton Range. The County’s Park Charter Fund and partnerships with the California Coastal Conservancy and the Santa Clara Valley Water District funded the project.

Work is underway with a host of State and Federal regulatory agencies on an action plan to remove mining waste in Almaden Quicksilver County Park, the legacy of mercury mining that occurred more than 100 years ago. The plan is the culmination of five years of negotiations with the United States Fish and Wildlife Service to clean up two areas in the park with the goal of protecting the Guadalupe River watershed and area wildlife.

Following five years of public discussion, the County came to agreement with Stanford University regarding the next steps towards completion of three Stanford Trail Alignments, as a condition of the University’s General Use Permit. The agreement is conceptually



Magdalena Avenue Safe Routes to School Project was named Project of the Year by the South Bay Area Chapter of the American Public Works Association



Santa Teresa County Park



consistent with the County's Trail Master Plan, which represents an effort to provide the public greater access via trails in a way that minimizes the impact on the private property owners.

Stanford has agreed to contribute \$12.25 million for trail construction or enhancement in various jurisdictions. In addition, the University will bear the cost of approximately \$7 million to construct the S1-C trail on its land. Stanford will be required to: Provide public trail easements on portions of its land for the S1 and C1 trails; complete design, permits and construction of the S1-C Trail and have it open for public use within 12 months; complete design, environmental compliance, permits and construction contributing

up to \$11.2 million for the C1 Trail within five years, subject to agreements with the Town of Portola Valley and the County of San Mateo; complete design, environmental compliance, permits and construction contributing up to \$1.05 million for the C2 Trail within five years, subject to agreement with the Town of Los Altos Hills; and ensure maintenance, operations and public access for all three trail alignments.

Since 1972, residents of Santa Clara County have demonstrated a commitment to parks by voting to set aside approximately 1.5 cents per \$100 of assessed valuation for parklands. In 2006, the Park Charter Fund Ballot Measure will go to voters for renewal.



Stanford Trail Alignments



The County contributed more than \$20 million to create the Guadalupe River Park - one of the largest urban parks in the U.S.

Thousands gathered for the Grand Opening

FIGHTING WEST NILE VIRUS

The Vector Control District successfully met two challenges in 2005. It mitigated the impact of West Nile Virus and won support for a ballot assessment.

The District proactively launched an extensive public education and outreach campaign in 2005 in partnership with the County's Public Health Department. County residents learned how to protect themselves, as well as how to fight the spread of West Nile Virus by eliminating standing water - perfect mosquito breeding sources. Ground fogging with Pyrethrin was used to suppress the adult mosquito population in two areas of San Jose that showed signs of Virus-infected mosquitoes. The ground fogging reduced 100% of the adult mosquitoes in the target areas.

County residents voted to support Vector Control District services by passing an assessment ballot measure, the first in the District's history. The assessment will strengthen and enhance District services, as well as provide a stable funding source for mosquito, vector and disease control.

COUNTY ROADS AND AIRPORTS

Almost every trip starts on a county road or a city street. Counties and cities own and operate 79% of the entire road system in California - some 310,000 lane miles - and California taxpayers have invested nearly \$100 billion in those roads. The Roads and Airports Department is responsible for operating and maintaining the County's nearly 700 miles of roads, including a 62-mile expressway system that is





unique in the state. The County also operates three general aviation airports - Reid Hillview Airport, Palo Alto Airport and South County Airport. These airports complement the region's commercial air carrier airports, such as San Jose International Airport and serve a variety of aeronautical purposes, including flight training.

Providing the traveling public with safe County roads is one of the Roads and Airports Department's most fundamental responsibilities. Key to fulfilling that responsibility is to ensure that the road infrastructure is well maintained to meet increasing demand. This year the Department developed a Strategic Business Plan that identified the following strategic directions: 1) Focus on Public Safety and Service, 2) Focus on Congestion Relief, 3) Focus on Efficiency and Effectiveness, and 4) Focus on Airports.

Safer Roads

The Roads and Airports Department raised the overall Pavement Condition Index (PCI) on the County road network from 64 to 73 over the last three years and made substantial progress on Intersection Improvements. This is consistent with the Department's goal of PCI of 80 on expressways and 70 on all other roads. Five of six Measure B Intersection Level-of-Service Program projects have been completed or are under construction. Construction also has been completed on the Central, Lawrence, Oregon-Page Mill, and Almaden Expressway segments of the Traffic Operation System funded by the Measure B Intelligent Transportation Systems Program, providing real-time video feeds of traffic conditions to the Traffic Operations Center.

After two years of technical analysis and collaboration with the cities and the community, a comprehensive 30-year improvement and maintenance plan for the eight expressways has been developed. The Department also has seismically retrofitted 18 bridges, replaced 16 bridges, completed widening/railing replacement on 11 bridges, and inspected all other bridges; and reduced traffic signal energy consumption by 90% by replacing incandescent lamps with light-emitting diodes (LEDs). Design is underway on the Almaden Expressway (Ironwood - Koch) Bicycle Improvements Project and Expressway Shoulder Bicycle Delineation Project.

Three Santa Clara County roads projects received Congressional earmarks in the Transportation Equity Act for the 21st Century (TEA-21), totaling \$7.28 million. The project improvements for Almaden Expressway, San Tomas Expressway, and Oregon-Page Mill Expressway, are expected to improve traffic flow and safety in some of our most heavily congested areas.

To combat speeding in school zones and running red lights on County expressways, eight electronic driver speed display signs were installed in the vicinity of four schools and 240 Red Light Enforcement Indicators (Rat boxes) at the top 30 high-incidence County expressway intersections. The electronic speed display signs indicate the actual speed of an approaching vehicle and are effective in encouraging motorists to slow down in school zones. The Rat boxes enable police to identify red light runners from the far side of an intersection to quickly and

safely pursue, stop and cite violators. New traffic safety equipment was purchased with a \$156,320 grant provided by the California Office of Traffic Safety.

The County's goal is to eventually equip every major intersection on County maintained expressways with Rat boxes. More information is available at www.CountyRoads.org.

County Airports

Two significant projects undertaken by the Department were developing a comprehensive Noise Compatibility Program (NCP) to enhance Reid-Hillview Airport's compatibility with the surrounding community and awarding the construction contract for 100 new aircraft hangars at South County Airport, which is nearing completion.

MEASURE B TRANSPORTATION PROGRAM

The Measure B Transportation Program completed public transit and freeway projects this year including Route 85/101 South Interchange, Route 237/880 Interchange, Palo Alto Transit Center and the Vasona Light Rail Line. Light Rail service was brought into the City of Campbell with future extensions planned for Los Gatos. In 2006, the widening of Route 152 in South Santa Clara County will be completed, as well as Route 85/101 North Interchange, and the Route 17 Auxiliary Lane Project from Camden Avenue to Hamilton Avenue.



2004 Perpetual Pavement Award from the Asphalt Pavement Alliance for Central Expressway



2005 Engineering Excellence Merit Award from the Consulting Engineers and Land Surveyors of California

Vasona Light Rail Line



FIRE DEPARTMENT

The Santa Clara County Fire Department received accreditation from the Commission of Fire Accreditation International (CFAI) in recognition of exemplary performance, following a two-year assessment process that appraises performance and identifies any needed improvements. County Fire is the only accredited fire department in the Bay Area, one of only four in California, and 106 worldwide.

County Fire stations have been designated as Safe Surrender sites for newborns, leading the way for 100% participation of fire stations in the county and its 15 cities. County Fire was a member of the County's Safe Haven Task Force created in 2004 to address the abandonment of unwanted newborns under the Safely Surrendered Baby Law which allows a parent to surrender a newborn infant within 72 hours of birth, without fear of penalties or legal consequences.

Now there are 12 hospitals and 87 fire stations in Santa Clara County where a parent who is unable or unwilling to care for an infant can legally and confidentially surrender her/his baby within three days of birth.

JUVENILE DETENTION REFORM

In 2002, Santa Clara County became a Juvenile Detention Alternatives Initiative (JDAI) Site with assistance and funding from the Annie E. Casey Foundation. The County's Juvenile Detention Reform (JDR) is a collaborative effort between the Probation Department, the Courts, the District Attorney, and Public Defender, local law enforcement agencies, community based organizations and community leaders to reduce the number of youth entering the juvenile justice system.



Improved Risk Assessment

The Probation Department has implemented a Risk Assessment Instrument (RAI) to better assess the risk a youth may pose to the community. With the use of the RAI over the last fiscal year, the Probation Department has experienced a decrease in the youth referred to Juvenile Hall for violations of probation, a decrease in the use of detention overrides to detain youth at Juvenile Hall and a decrease in youth detained at Juvenile Hall due to the lack of a parent, guardian or responsible relative who will take responsibility for the youth.

Fewer Youth Detained

Probation saw a 3.5 percent decrease in the overall number of youth detained at Juvenile Hall during fiscal years 2002 and 2005. The number of youth of color being detained is decreasing, however, youth of color still make up the largest population of youth offenders.

Evening Reporting Center

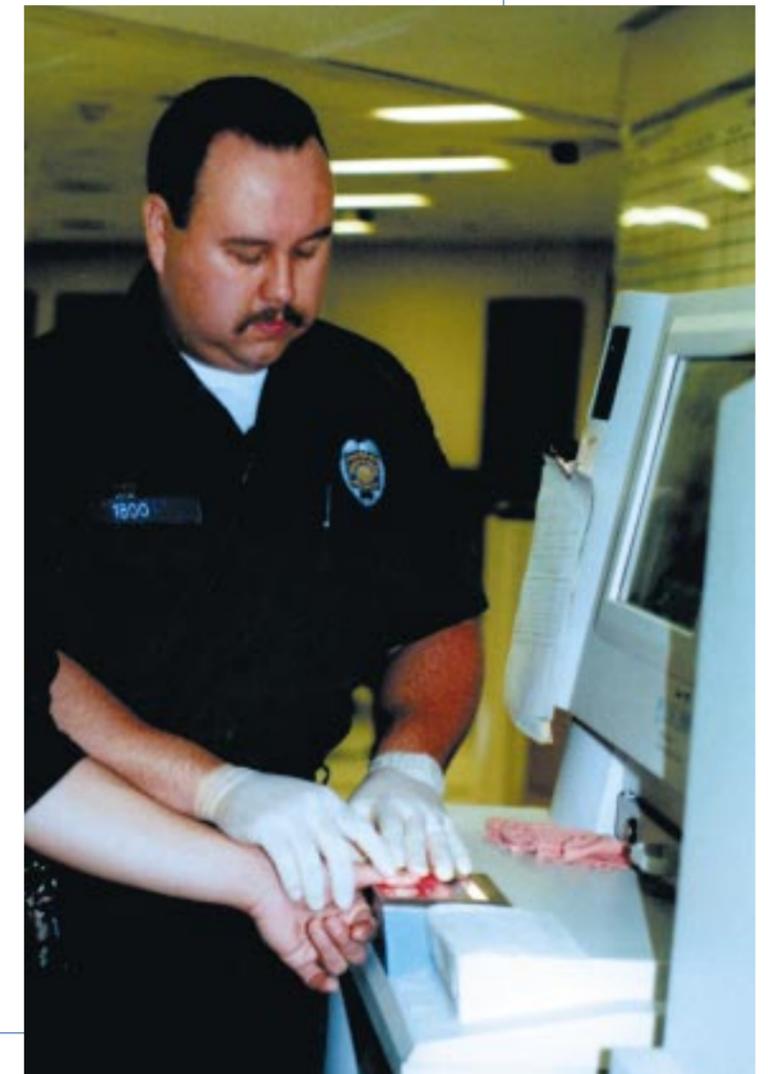
To further support Juvenile Detention Reform, the County will open an Evening Reporting Center for youthful offenders. The Evening Reporting Center will be operated by the Probation Department in conjunction with a community-based organization to provide a variety of services for youthful offenders in a community-based setting. The overarching goal of the Evening Reporting Center is to prevent youth from failing on probation or committing new law violations, which could result in further detention. The Center will operate on weekdays from 3 p.m. to 9 p.m. and youth and their families will be provided with a variety of program services. The Center is scheduled to open in 2006.

Countywide Juvenile Booking Protocol

The Probation Department continues to work in collaboratively with local law enforcement agencies in support of the Countywide Police Juvenile Booking Protocol. In November 2003, the County Police Chief's Association adopted and approved a Countywide Police Juvenile Booking Protocol for Juvenile Offenders. The purpose of the Protocol is to provide guidance to the Santa Clara County law enforcement agencies in making informed decisions regarding the incarceration of youthful offenders. The policy in determining disposition of youthful offenders, is to



The Santa Clara County Fire Department won accreditation from the Commission of Fire Accreditation International (CFAI) in recognition of exemplary performance





County of Santa Clara Color Guard

balance legal mandates, community safety and the best interest of the juvenile. The alternative that is least restrictive to the juvenile is preferred. Whenever, appropriate, community resources will be used as an alternative to incarceration. The Police Chief's Association on an annual basis continues to update and support this Booking Protocol for youthful offenders.

JAMES RANCH SECURITY ISSUES

This year, the County was challenged by a high incidence of runaways from William F. James Ranch in Morgan Hill. Unlike Juvenile Halls, which are secure facilities where all doors are locked and the highest level of staffing and security are mandated, juvenile camps/ranches are minimum security facilities and are designed for short-term confinement of youth charged with a law violation and who are deemed to be an immediate threat to the community and/or themselves; have no parent or guardian willing or able to assume custody; are likely to flee the jurisdiction of the Court; or who refuse to return home.

Increased Security

During this past year, the Probation Department has increased security at the James Ranch facility. Two staff members are now solely responsible for security and surveillance inside the facility. Additionally, Sheriff Deputies are patrolling the outside perimeter of the James Ranch facility.

Perimeter fencing has now been installed at the James Ranch in Morgan Hill. The fencing provides additional perimeter security. The construction plan called for the installation of a 4,000 ft. long and 12 ft. high chain link fence around the Ranch building complex. Fencing also surrounds a portion of the field where in-custody youth regularly work and play.

Community Coordination

In addition, regular meetings of the Morgan Hill Police Chief and the Probation Chief were held to work collaboratively in addressing the runaway issues. As a result of this collaboration, the Probation Department now verbally notifies law enforcement when a youth runs away.

Enhanced Ranch Program

In an effort to reduce repeat offenders and improve rehabilitation of youth offenders, a \$3.2 million funding plan has been authorized to enhance program services at the juvenile rehabilitation facilities. The ranch enhancements will include a smaller youth-to-staff ratio, improved program services, with a focus on cognitive behavior modification counseling services, improved living quarters and extensive aftercare transition services. One of the measurements of a successful rehabilitation program is a low rate of repeat offenses. Research shows a higher success rate when youth are provided services in smaller groups, and build positive relationships with staff members who use a cognitive behavior modification counseling model. Currently, the number of youth who successfully complete their ranch programs constitutes 59%. However, the County's goal is to raise the level of success to 90%.

The Enhanced Ranch Program is a balanced holistic approach that stresses accountability, rehabilitation, and responsibility. It also will include an individual aftercare transition plan for each minor, developed with parental input, to identify aftercare services needed to facilitate successful reunification with the family and a successful transition back into the community. The family will be involved throughout the youth's progression in the program. There will be intensive aftercare supervision, family counseling and home visits, as well as a 6-month Community Based Aftercare Program following the youth's release home to assist the youth to successfully reintegrate back into their communities.

ADULT PROBATION REACHES OUT TO THE COMMUNITY

On February 15, 2005, the Adult Probation Department sponsored a resource fair for the community entitled, "100 Baskets of Love." The event was designed to reach out to adult probationers and their families to provide them with a variety of resources and information including job resources, counseling services and community aide services. Further, as a result of several fundraising events, staff was able to provide baskets of food and clothing to those less fortunate. An estimated 504 probationers attended the event.

PREPARING FOR NEW THREATS

National and international events during the past five years have changed the way governments prepare and respond to disasters. Preparation for natural disasters such as earthquakes has been expanded and now encompasses terrorism and pandemics.

Responding to the threat of bioterrorism, the County now participates in the Center for Disease Control's (CDC) Public Health Preparedness and Response to Bioterrorism program, working to strengthen its ability to respond to bioterrorism, outbreaks of infectious disease or flu pandemics.

As a participant in the CDC's pilot Cities Readiness Initiative, the County will join twenty other cities nationwide chosen based on population and geographic location, in the development of plans to deliver medicines and medical supplies within a 48-hour time period during a large-scale public health emergency. This plan will build upon the extensive work already developed by the County's Public Health Department.

The County also collaborates with regional leaders to prepare for new threats as a part of the Urban Area Security Initiative.



Officer practices bomb inspection

PROTECTING THE COMMUNITY

The Tactical Medics are a group of volunteer physicians and paramedics - with an interest in law enforcement - trained to respond with the Sheriff's Emergency Response Team (SERT) whenever a tactical incident occurs.

During tactical operations, the Tactical Medical Team Leader works with the SERT Commander to advocate for the health and welfare of the officers including discussing sleep/wake cycles, hydration, nutrition, and other issues that may impact officers' performance or safety. They also provide medical care at the front lines of an incident; work with the Sheriff's Hostage Negotiating Team; have expertise in treating victims exposed to chemical and biological agents of terror; and provide medical care and first aid to bystanders who have been injured or displaced by an incident.



Santa Clara County Peace Officer Memorial Ceremony

Operation Second Chance

More than 525 people took advantage of the Santa Clara County Sheriff's Office's "Second Chance" warrant redemption program during the month of December and over 650 misdemeanor warrants have been cleared. Felony warrants or any warrants involving violence were not eligible.

Operation Roundup

The Santa Clara County Office of the Sheriff, in cooperation with the Santa Clara District Attorney's Community Prosecution Unit completed a six-month investigation into the sale of drugs in the Buena Vista and Burbank neighborhoods. These neighborhoods are part of the Burbank Weed and Seed Grant, which encompasses the area within a one-mile radius of Luther Burbank School.

Initially, three houses and seven apartments were served with warrants. During the searches, assorted amounts of Methamphetamine, Rock Cocaine, Marijuana more than \$10,000 in cash

were seized. Ten people were taken into custody. One dependent adult was taken to Emergency Protective Services and three juveniles were taken into protective custody.

During the second phase, 68 arrests were made: 43 for drug possession or being under the influence of drugs, three for auto theft, three for sex offender registrant violations, three for weapons violations and 17 for drunk in public or alcohol sales violations. The drugs seized include Marijuana, Methamphetamine, Cocaine, Heroin, Ecstasy and unlawfully obtained prescription narcotics.

Challenges Ahead

The Sheriff will encounter the following challenges in the year ahead: Creating a Justice Training Center at the Holden Ranch in Morgan Hill able to provide specific academy and advance training for members of the Sheriff's Office and the Probation Department; providing the same level of law enforcement service to the public with the significant budget reductions in the last several years; and continuing to recruit and to retain qualified deputy sheriffs, managers and supervisors with the mass exit of the "baby boomers" over the next five years.

SENIOR HOMEOWNERS PROTECTED FROM FRAUD

Bay Area housing prices and a growing senior population have made elderly homeowners the target of scam artists attempting to bilk them out of retirement savings and their homes. The Office of the District

Attorney successfully prosecuted individuals responsible for a nationwide \$73.6 million fraud operation, a version of one of the nation's top ten scams. Of the 1,000 victims, approximately 12 were county residents who lost approximately \$1 million in retirement assets or home equity.

DNA DATABASE AIDS LAW ENFORCEMENT

California voters approved the DNA Fingerprint, Unsolved Crime and Innocence Protection Act (Proposition 69) in 2004. Local governments were charged with collecting DNA samples from qualified jail inmates, including adults and juveniles convicted of any felony or sex offense, and adults arrested for or charged with a felony sex offense, murder or involuntary manslaughter. The statute authorizes local law enforcement laboratories to perform analyses for the state database and maintain local databases. Since July 2005, the County Department of Correction has collected 3,300 DNA samples from County jail inmates.

Since the County implemented this system there have been 54 DNA matches by the Santa Clara County District Attorney's Crime Laboratory, positively identifying several persons who are suspects in on-going criminal investigations in Santa Clara County.



The California State Association of Counties recently awarded one of ten statewide Challenge Awards to the Santa Clara County Sheriff's Office for its Tactical Medic Team



COUNTY WORKFORCE CHALLENGES

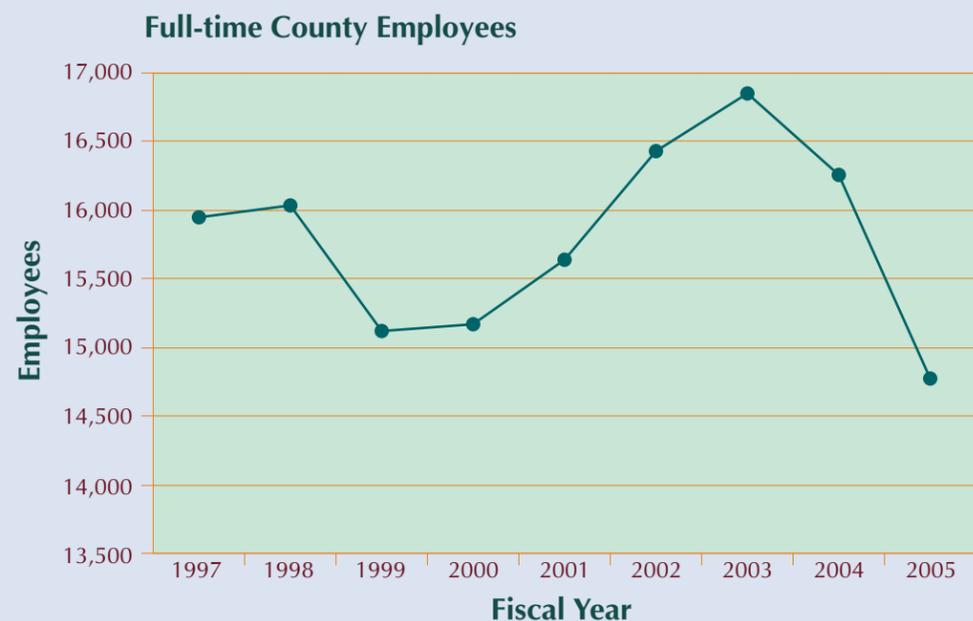
The County is facing a number of challenges to continuing to provide nationally recognized innovative and responsive services. Two contributing factors are critical workforce shortages in health professions and the significant loss of institutional memory as a result of an aging workforce eligible to retire during the next five years.

As has been the case for medical institutions across the country, the county has faced shortages in the areas of nursing, diagnostic imaging and medical technology. The County competes with private and public health facilities to attract and retain these skilled personnel. By implementing an immediate strategy of offering sign-on bonuses and an educational reimbursement program, the vacancy rate in some areas has been reduced from more than 50% to approximately 10%. A long-term strategy imple-

mented this year is a new partnership with San Jose State University that established an accelerated bachelor's degree program for student nurses.

The aging "baby boomer" population will affect the entire nation. During the next five years, between 6,300 and 7,100 County workers (nearly half of the workforce) will be eligible to retire, taking with them a substantial level of institutional memory and special skills and work knowledge. The organization is beginning to take on the challenge of succession planning. In addition, employees now have the option to participate in an accelerated bachelor's degree program with reduced tuition through a new partnership with National University.

The County offers employees a variety of training and wellness opportunities to ensure employees' skills remain current, that they are knowledgeable and compliant with relevant employment laws, and are aware of actions and practices that promote good health.



To expedite hiring, employment information is online at www.sccgov.org. Applications may be submitted by applicants via the internet in the comfort of their homes, from public facilities like libraries or from onsite kiosks at the County Government Center.

ENHANCED ACCESS TO AGENDA ONLINE

Individuals interested in specific issues and policies under consideration by the Board of Supervisors now have access to all Board Policy Committee agendas and information in addition to all Board meeting agendas, supporting documents and meeting summaries already available.

The enhancements to Agenda Online found on the County's www.sccgov.org Web portal are part of Keyboard, a fully computerized agenda system developed by the Clerk of the Board and the Information Services Department.

USER FRIENDLY E-GOVERNMENT

The Information Services Department redesigned the home page of www.sccgov.org for easier navigation and public access to online applications, forms and services. Changes to the web portal include a new central access point for eServices called "Get it Done Online," and advanced search capabilities that allow users to search for information by asking questions instead of inserting key words. Now 23 services are available online, including viewing and making property tax payments, making County

Park reservations, adopting a pet, and finding a polling place.

TOP-RANKED COUNTY LIBRARY SYSTEM

For the fifth straight year, Santa Clara County Library system is one of the top-ranked libraries in the country according to Hennen's American Public Library Ratings. Although difficult fiscal times have led to reducing branch hours by 16.8% (all nine libraries are closed on Mondays), total circulation decreased by only 5%. Voters continued to show support for County libraries, approving a \$33.66 tax to replace an expiring special assessment. The funds will restore books and hours that were cut in 2004. In the coming year, the Library will offer free wireless access to patrons.



Storytime at Campbell Library



The Santa Clara County Library received an honorable mention for Prescribing Health Literacy, an outreach effort that led to more than 600 low-literacy patients using community learning center resources, and raised awareness for physicians and health care providers of the special needs of patients



Office of the County Counsel has provided more than 2,000 children with appropriate education programs and was recognized by the California State Association of Counties for its Education Rights Project/Project YEA!



Office of the County Counsel received an award from La Raza Lawyers of Santa Clara County for its commitment to the Latino community



ELECTRONIC VOTING A SUCCESS

The Santa Clara County Registrar of Voters successfully conducted five elections in 2005, including the November Special Election. The elections were conducted using a combination of electronic voting and paper absentee ballots. The County has improved verifiability of electronic voting. The processing of absentee ballots also has been enhanced through the purchase of high-volume and high-speed mail inserting, sorting and extracting machines. The Registrar of Voters conducted extensive voter surveys to establish sample ballot language preference.

Voter Verified Paper Audit

In 2006, for the first time, the County will use the Voter Verified Paper Audit Trail, and will be the first in the nation to offer the audit trail in five different languages – English, Spanish, Vietnamese, Tagalog, and Chinese.



UPGRADING COUNTY 9-1-1 RESOURCES

Santa Clara County Communications finalized the implementation of a six-year project to upgrade and replace the computer-aided dispatching system, completed the construction of a state-of-the-art metal antenna tower, and installed a two-way radio system that provides critical tactical communications for emergency medical services coordination during emergencies.

In the year ahead, County Communications will upgrade its 9-1-1 telephone system to enable cell phone callers to reach County 9-1-1 Dispatch directly instead of being routed first through the California Highway Patrol.

ENERGY SAVINGS

The County now boasts a reduction of electrical consumption by 20 percent. During the height of the California energy crisis in 2001, the County created the Emergency Energy Task Force to reduce the County's consumption of energy. Measures were implemented to conserve energy usage in County facilities.

The Facilities and Fleet Department completed more than 500 energy conservation projects including: installation of 6,800 task lighting motion sensors; installation of 1,459 room lighting motion sensors; installation of new lighting controls systems in eight buildings; optimization of HVAC air intake economizers to take advantage of cool outside air to reduce the need for mechanically cooled air; installation of 116 HVAC system time clocks and programmable thermostats; and installation of 23 cool roof systems.

Encouraged by its conservation success, the County joined the Sustainable Silicon Valley Carbon Dioxide Emissions Reduction Project, and also launched a Santa Clara County Fuel Cell Advancement Initiative. The initiative's projects may include a stationary fuel cell application and a fuel cell fleet vehicle demonstration.

The County continues to achieve significant energy conservation through innovations and efficiencies in facilities. The County's fleet contains a number of alternative fuel vehicles.

INDEPENDENT MANAGEMENT AUDIT DIVISION

In 1980, the Board of Supervisors established the Management Audit Division to perform detailed analyses of County operations, to review the annual County budget and conduct financial analyses of major financial issues before the Board. The staff of the Management Audit Division is independent from County administration, all departments and programs, and reports directly to the Board of Supervisors.

During Fiscal Year 2004-05, the Management Audit Division conducted management audits of the Tax Collector and the County Fire Department, a special study of the property holdings of the Santa Clara Valley Water District, and analyses of the Fiscal Year 2005-06 Recommended County Budget, Fiscal Year 2005-06 Recommended Santa Clara Valley Water District Budget, and the Fiscal Year 2005-06 Governor's Proposed State Budget.

The Independent Management Audit Division also performed a special analysis for the County Executive of all 549 County programs and functions, known as the Mandate Study. This analysis was used by the County Executive and the Board of Supervisors as a key tool to implement reductions to the annual budget of more than \$100 million, while minimizing the impact on critical County services.



County Communications attained certification for the second time as a nationally recognized Center of Excellence for emergency medical dispatching services



Keyboard, a fully computerized online agenda system, garnered a statewide 2005 Merit Award, and a Host County Exemplary Program Award for innovation from the California State Association of Counties

It also won the Award for Best Application Facing the Public presented by the California County Information Services Directors Association and the Center for Digital Government



Valley Specialty Center at VMC

CAPITAL IMPROVEMENTS PROGRAM INCLUDES \$470 MILLION CAPITAL BOND PROJECTS

To keep pace with the needs of county residents, several building construction projects are underway, including major public safety and health-related facility projects. Projects are in various stages of completion, from preliminary design to completed construction.

When construction is completed on all of the projects, nearly one million square feet of space will have been added. Additionally, county offices are relocating from leased space to county-owned facilities. The goal is to generate long-term savings by relocating County offices from leased space, and free-up operating funds from leases to use for direct service delivery. One such example is the relocation of offices to the County Center at Charcot. This move alone will save \$4 million annually in lease costs. Other County offices will be moved into the buildings as spaces are reconfigured and existing leases terminate.

Completed Projects

- Vector Control Complex at Berger Drive - 7,694 sq. ft.
- Valley Health Center at Tully Road - 55,000 sq. ft.
- James and Holden Ranch Program Buildings - 4,932 sq. ft.
- House on the Hill - 17,000 sq. ft.

Construction Underway to be Completed in 2006 & 2007

- County Center at Charcot Probation Building* - 100,000 sq. ft.
- Muriel Wright Program Building - 4,794 sq. ft.
- County Center at Charcot Administration Building* - 100,000 sq. ft.
- Juvenile Hall Phase 2 - 75,368 sq. ft.
- Morgan Hill Courthouse* - 86,250 sq. ft.

Construction to be Completed in 2008 & 2009

- Valley Specialty Center at VMC* - 244,000 sq. ft.
- Crime Lab - 90,072 sq. ft.
- Valley Health Center at Gilroy* - 60,000 sq. ft.
- Valley Health Center at Fair Oaks* - 45,500 sq. ft.
- Valley Health Center at Milpitas* - 60,000 sq. ft.

* Project is in the \$470 Million Bond Program



County Center at Charcot Administration Building



Human Resources received the Outstanding Contributions Award at the NEOGOV fourth annual users conference for the County's online employment application

Left: Valley Health Center at Gilroy

Below: Valley Health Center at Tully Road



COUNTYWIDE FINANCIALS

This report presents the highlights of the significant economic and financial activity of the Santa Clara County for the fiscal year (FY) ended June 30, 2005. A full report of the County's financial activity is available in the Comprehensive Annual Financial Report (CAFR) online at <http://www.sccgov.org/cafr>.

The County prepares two sets of financial statements that measure its finances differently. The countywide financial statements provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. It provides a long-term perspective of the County's assets, liabilities, and net assets, as well as its operations. The fund statements provide a short-term perspective of the individual funds' assets, liabilities, and fund balance, as well as the resources flowing in and out during the fiscal year.

The County of Santa Clara financial activities are governed by a number of significant financial policies in the areas of Use of Fund Balance, Contingency Reserves, Capital Project Financing, Debt Management, and Cash Management. These policies are outlined in the CAFR available online at www.sccgov.org/cafr.

Statement of Net Assets

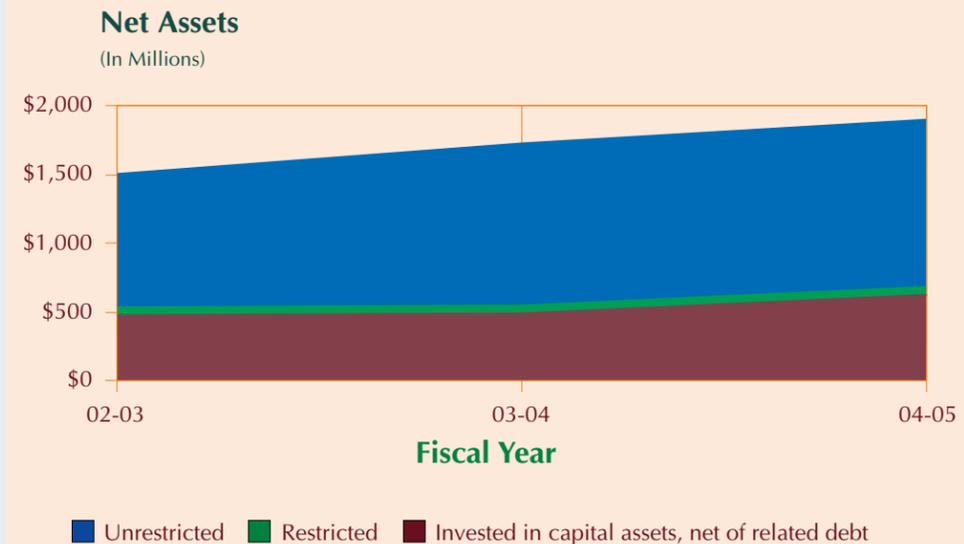
The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The County's assets exceeded its liabilities by \$1.8 billion (*net assets*) for the year.

There are three components of net assets:

- \$645.5 million or 36% of net assets are investment in capital assets, less related debt. Capital assets (land, buildings, infrastructure and equipment) are used to provide services to citizens; consequently, these assets are not available for future spending.
- \$107.2 million or 6% are restricted net assets. These resources are subject to external restrictions on how they are used.
- \$1.0 billion or 58% are unrestricted net assets. These resources may be used to meet the County's ongoing obligations to citizens and creditors.

Net Assets (In Thousands)	Fiscal Year 2004	Fiscal Year 2005	Dollar Change	Percent Change
Current & Other Assets	1,742,921	2,059,661	316,740	18.2%
Capital Assets	1,036,445	1,057,558	21,113	2.0%
Total Assets	\$2,779,366	\$3,117,219	\$337,853	12.2%
Current & Other Liabilities	227,603	229,996	2,393	1.1%
Long-term Liabilities	876,705	1,089,952	213,247	24.3%
Total Liabilities	\$1,104,308	\$1,319,948	\$215,640	19.5%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	497,007	645,466	148,459	29.9%
Restricted Net Assets	94,294	107,214	12,920	13.7%
Unrestricted Net Assets	1,083,757	1,044,591	(39,166)	(3.6%)
Total Net Assets	\$1,675,058	\$1,797,271	\$122,213	7.3%



Statement of Activities

The Statement of Activities provides information on how the County's net assets changed during the fiscal year, regardless of the timing of related cash flows. Thus, the statement reports revenues and expenses for some items that will only result in cash flows in a future fiscal period (e.g., uncollected taxes).

The County's total revenues increased by \$176 million or 6.8%, to \$2.8 billion, while its total expenses increased by \$20.5 million or 0.8%, to \$2.6 billion. The County's total net assets increased by \$122.2 million for the year. This increase in net assets provided resources for County assets (e.g., capital items) and resources to decrease the County's liabilities (e.g., debt obligations).

Change in Net Assets

(In Thousands)

REVENUES:

Program Revenues:

	Fiscal Year 2004	Fiscal Year 2005	Dollar Change	Percent Change
Charges for Services	671,828	720,278	48,450	7.2%
Operating Grants & Contributions	1,025,950	1,049,954	24,004	2.3%
Capital Grants & Contributions	21,246	11,412	(9,834)	(46.3%)

General Revenues:

Property Taxes	435,230	586,999	151,769	34.9%
Sales & Use Taxes	153,024	158,386	5,362	3.5%
Other Taxes	144,137	102,911	(41,226)	(28.6%)
Unrestricted Grants & Contributions	34,667	22,497	(12,170)	(35.1%)
Unrestricted Investment Income	38,588	44,714	6,126	15.9%
Gain on Sale of Capital Assets	-	8,707	8,707	N/A
Other Revenue	62,282	57,148	(5,134)	(8.2%)

Total Revenues	\$2,586,952	\$2,763,006	\$176,054	6.8%
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PROGRAM EXPENSES:

General Government	191,158	171,077	(20,081)	(10.5%)
Public Protection	587,043	639,554	52,511	8.9%
Public Ways & Facilities	228,880	140,842	(88,038)	(38.5%)
Health & Sanitation	354,850	334,667	(20,183)	(5.7%)
Public Assistance	534,060	561,919	27,859	5.2%
Education	24,193	25,353	1,160	4.8%
Recreation & Culture	21,978	23,214	1,236	5.6%
Interest on Long-term Liabilities	6,061	6,607	546	9.0%
SCVMC	664,034	732,453	68,419	10.3%
Airport	2,547	3,473	926	36.4%
Sanitation District	5,392	1,634	(3,758)	(69.7%)

Total Expenses	\$2,620,196	\$2,640,793	\$20,597	0.8%
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Increase/(Decrease) in Net Assets	(\$33,244)	\$122,213	\$155,457	
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Capital Asset Activity

The County's net capital assets increased by \$21.1 million or 2% to \$1.1 billion. The construction in progress includes \$49.7 million in following new projects started during the year:

- \$29.7 million for constructions projects undertaken by the Facilities and Fleet Department for Valley Specialty Center, lobby security at Downtown Superior Court, continued construction and renovation of the new County Center, Morgan Hill Courthouse, Crime Lab, various Valley Health Centers, juveniles, jails and justices facilities, and various small projects.
- \$13.7 million in capital projects undertaken by the Roads Department for bridge seismic retrofit and rehabilitation, pedestrian and bicycle routes improvements, signal synchronization programs, pavement management of Measure B projects, rural road capital projects, drainage improvements, and the continued comprehensive study and planning for the County's expressways.
- \$6.3 million in various Park projects.

Capital Assets

(Net of Depreciation in Thousands)

	Fiscal Year 2004	Fiscal Year 2005	Percent Change
Land	182,282	184,111	1.0%
Buildings & Improvements	486,922	493,319	1.3%
Infrastructure	104,780	116,330	11.0%
Equipment & Vehicles	74,077	59,925	(19.1%)
Leasehold Improvements	1,454	1,350	(7.2%)
Construction in Progress	186,930	202,523	8.3%
Total	\$1,036,445	\$1,057,558	2.0%

Outstanding Debt

The County's total debt obligation at June 30, 2005, was \$794 million. Total long-term debt - net of \$20.9 million debt service principal pay-off-increased by \$175.5 million or 28.4% during the current fiscal year. During the year, the County issued \$193.8 million in four new bonds for various capital projects.

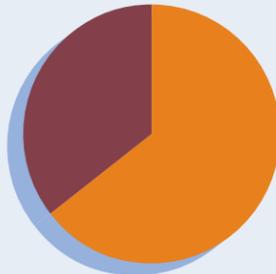
Outstanding Debt

(In Thousands)

	Fiscal Year 2004	Fiscal Year 2005	Dollar Change	Percent Change
Lease Revenue Bonds (net of discounts and deferred loss on refunding)	464,865	645,751	180,886	38.9%
Special Obligation Bonds (net of premium)	145,650	142,868	(2,782)	(1.9%)
Certificates of Participation	1,050	805	(245)	(23.3%)
Capital Lease Obligations	6,795	4,472	(2,323)	(34.2%)
Total	\$618,360	\$793,896	\$175,536	28.4%

Total Revenues

The County's revenues increased by \$176 million or 6.8% to \$2.8 billion. The County provides various mandated services to its residents. Revenues directly generated by or attributable to a specific governmental function are called program revenues. These include charges for services and restrictive (program specific) grants and contributions, both operating and capital. General revenues support government programs by defraying costs, which those programs cannot cover from their own revenues. The County's programs generate about 64.5% of its total revenues. The general revenues account for the remaining 35.5% of the total revenues.

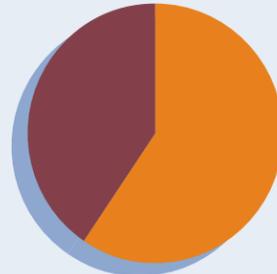


County Revenues

- Program Revenues - 64.5%
- General Revenues - 35.5%

Program Revenues

The County's program revenues increased by \$62.6 million to \$1.8 billion for the year. Federal and State grants and contribution are the largest source of County's revenues and contributed 59.6% of its total program revenues. These program resources are tied to mandated services such as social services, public assistance, health and mental health. Charges for services were 40.4% of the County's total program revenues.

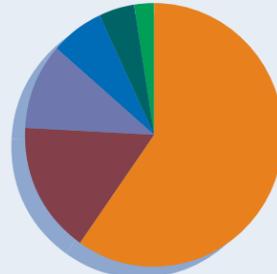


Program Revenues

- Grants & Contributions - Federal and State - 59.6%
- Charges for Services - 40.4%

General Revenues

As stated previously, the County's general revenues support government programs by defraying costs, which those programs cannot cover from their own revenues. Tax revenues are the County's second largest revenue source - grants and contributions being the largest. The County earned \$848.3 million in tax revenues (property tax, property tax in lieu of motor vehicle license fee, and sales tax) for the current year. This is approximately 86.4% of the general revenues, and 30.7% of the total current year revenues. These general revenues provide the County most of its discretionary spending ability.

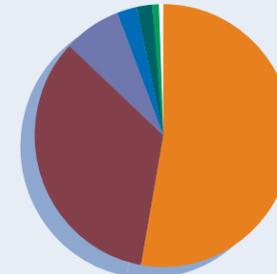


General Revenues

- Property Tax - 59.8%
- Sales Tax - 16.1%
- Other Taxes - 10.5%
- Other Revenues - 6.7%
- Investment Earning - 4.6%
- Unrestricted Grants & Contributions - 2.3%

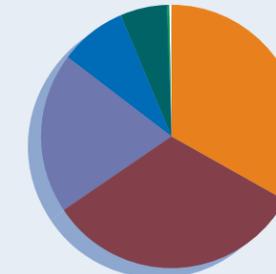
General Fund

The General Fund is the chief operating fund of the County and its revenues and expenditures for the year were \$1.9 billion and \$1.6 billion, respectively. While its revenues increased by \$132.9 million or 7.7% for the year, its expenditures decreased significantly by \$87.2 million or 5.0% due to deficit solutions implemented by the County.



General Fund Revenues by Source

- Intergovernmental Revenues - 52.9%
- Taxes - 34.1%
- Charges for Services - 7.2%
- Fines, Forfeitures & Penalties - 2.4%
- Other Revenues - 2.2%
- Interest & Investment Income - 0.7%
- Licenses & Permits - 0.5%



General Fund Expenditures by Function

- Public Assistance - 33.2%
- Public Protection - 32.5%
- Health & Sanitation - 19.8%
- General Government - 8.3%
- Public Ways & Facilities - 5.7%
- Debt Service Principal Retirement - 0.3%
- Debt Service Interest & Fiscal Charges - 0.2%