

Cities Service Review Final Report

Adopted on December 2, 2015

Prepared for:

Local Agency Formation Commission of Santa Clara County

Management
Partners



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Acronyms

Acronym	Term
ABAG	Association of Bay Area Governments
ACE	Altamont Corridor Express (Train)
ADA	Americans with Disabilities Act
AGB	Academic Growth Boundary
BART	Bay Area Rapid Transit
CAFR	Comprehensive Annual Financial Report
CIP	Capital Improvement Plan
CCA	Community Choice Aggregation
CPA	Certified Public Accountant
DOF	California Department of Finance
DUC	Disadvantaged Unincorporated Community
EIR	Environmental Impact Report
FTE	Full-time Equivalent
GFOA	Government Finance Officers Association
GHG	Greenhouse Gases
GUP	General Use Permit
JPA	Joint Powers Authority
JUA	Joint Use Agreement
LAFCO	Local Agency Formation Commission
LGSRD	Los Gatos-Saratoga Recreation District
MGD	Million Gallons Per Day
MMWC	Mecchi Mutual Water Company
MOU	Memorandum of Understanding
MSR	Municipal Services Review
MTC	Metropolitan Transportation Commission
NASA	National Aeronautics and Space Administration
NPDES	National Pollutant Discharge Elimination System
PCBs	Polychlorinated Biphenyls
PCI	Pavement Condition Index
PDA	Priority Development Area
PG&E	Pacific Gas and Electric
PMP	Plant Master Plan
PSAP	Public Safety Answering Point

Acronym	Term
RHNA	Regional Housing Needs Assessment
RWQCP	Regional Water Quality Control Plant
SBWR	South Bay Water Recycling
SCC	Santa Clara County
SCCLD	Santa Clara County Library District
SCRWA	South County Regional Wastewater Authority
SCS	Sustainable Communities Strategy
SCVURPPP	Santa Clara Valley Urban Runoff Pollution Prevention Program
SCVWD	Santa Clara Valley Water District
SFR	Single Family Residence
SJSU	San Jose State University
SOI	Sphere of Influence
SVACA	Silicon Valley Animal Control Authority
SVP	Silicon Valley Power
SVRIA	Silicon Valley Regional Interoperability Authority
SWAT	Special Weapons and Tactics
SWRCB	State Water Resources Control Board
TAC	Technical Advisory Committee
TDM	Transportation Demand Management
UGB	Urban Growth Boundary
USA	Urban Service Area
VTA	Valley Transportation Authority
WVCWP	West Valley Clean Water Program
WVSD	West Valley Sanitation District
WVSWMA	West Valley Solid Waste Management Authority

1 Executive Summary

This Cities Service Review was prepared for the Local Agency Formation Commission of Santa Clara County (LAFCO). Municipal service reviews (MSRs), such as this Cities Service Review, are state-mandated comprehensive studies of services within a designated geographic area. They are completed to obtain information about service delivery, evaluate the provision of services, and when necessary, recommend actions to promote the provision of those services. This report fulfills LAFCO's mandated responsibility to conduct a service review prior to or in conjunction with sphere of influence (SOI) updates. In addition, the Cities Service Review serves as a resource to help the region, the public, and other agencies better understand the public service structure of cities in the County.

1.1 Agencies and Services Reviewed

The Cities Service Review assesses current practices and explores future opportunities for collaboration among cities and other local agencies or organizations to achieve common goals and efficient delivery of services. The following ten service areas were reviewed for each of the 15 cities:

- Animal control
- Law enforcement
- Library
- Lighting
- Parks and recreation
- Planning/building
- Solid waste
- Stormwater
- Utilities (electricity, gas)
- Wastewater collection and treatment

The report covers the following 15 municipalities:

- City of Campbell
- City of Cupertino
- City of Gilroy
- City of Los Altos
- Town of Los Altos Hills
- Town of Los Gatos
- City of Milpitas
- City of Monte Sereno
- City of Morgan Hill
- City of Mountain View
- City of Palo Alto
- City of San Jose
- City of Santa Clara
- City of Saratoga
- City of Sunnyvale

Due to their proximity to Santa Clara County cities, size, and potential to create service impacts on neighboring cities, the following three unincorporated areas are also included in this report:

- Moffett Field
- San Martin
- Stanford University

1.2 The Great Recession and Its Impacts

The region is in the midst of economic expansion on the heels of the Great Recession, which was one of the worst economic recessions since the Great Depression in the 1920s. Since the last MSR was conducted in 2008, the nation, state, and region experienced significant economic decline: rising unemployment, home foreclosures due to falling real estate prices, and businesses filing for bankruptcy or closing.

Cities were not exempt from the effects of the Great Recession. Most cities experienced declining revenues, especially in the areas of property, sales, and transient occupancy taxes. Due to the decline in investment markets and demographic changes (including retirees living longer), cities found their pension funds severely underfunded (in some cases, up to 40% underfunded), requiring significant increases in pension contributions. These impacts required cities to reduce expenditures, which resulted in personnel layoffs and deferred infrastructure maintenance. Cities had to find ways to become more efficient in their service delivery and prioritize their efforts to maintain service levels to the extent possible.

The Great Recession affected areas in California differently. The Sacramento Valley and Southern California's Inland Empire were hit particularly hard with massive foreclosures and bankruptcy filings affecting nearly every city in those areas. However, the Bay Area as a region, and the Silicon Valley in particular, by and large avoided the deepest impacts felt in other areas of the state and nation. Cities in Santa Clara County were required to reduce expenditures and, in some cases service levels, to maintain the appropriate level of financial resources.

It was not uncommon for cities in the County to reduce their size (budget and personnel) by 10% or more during the Great Recession. Yet cities in the County were able to continue to provide core-level services to their communities. Police response times were maintained to the extent possible, parks remained open and available to the public, wastewater services continued to be provided without interruption, and roadways were maintained to acceptable levels.

The Great Recession also forced cities to find new ways to deliver services. Some cities outsourced services, such as landscape and facilities maintenance, as the private sector was able to provide some services at lower costs. Cities also began to explore and implement collaborative models with other municipalities and government agencies to provide services, more commonly known as "shared services."

As the Great Recession subsided economic expansion returned to Silicon Valley. Developers began investing in new residential and commercial properties, businesses began to hire employees at a rapid pace, and home prices began to rise. Unemployment in Santa Clara County dropped from 11.3% in August 2009 to 3.9% in May 2015. Many cities' financial resources are starting to recover, but their operations are still impacted by the workforce reductions implemented in the wake of the recession. Cities indicate that demand for services continues to increase, especially in the areas of planning, building, transportation, housing and law enforcement.

1.3 Growth and Population Trends

During this study, the population and growth projections prepared by the Association of Bay Area Governments (ABAG) were compiled for each city in the County. As indicated in Table 1, ABAG projects that the total population among cities in the County will exceed 2.3 million by the year 2040, a growth of nearly 29% from the 2015 total of 1.8 million. These figures do not include the population that lives within unincorporated areas in the County.

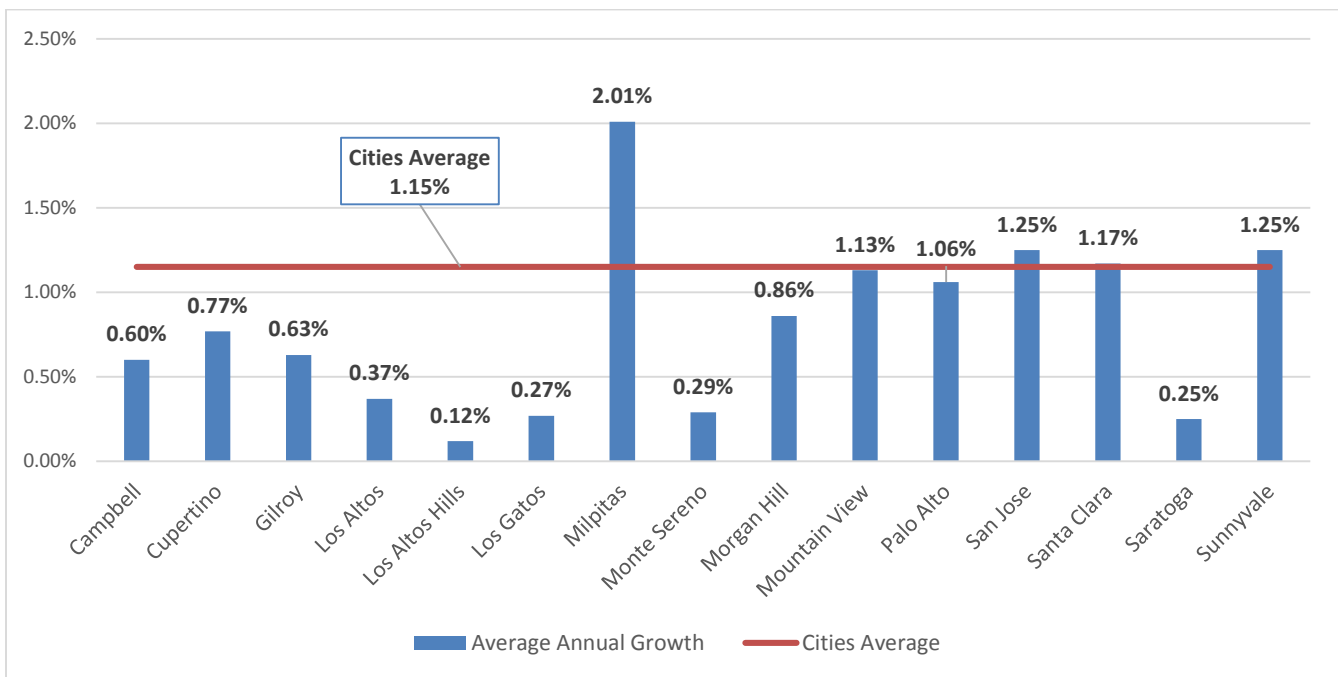
Table 1. City Population and Growth Estimates from 2015 to 2040

City	2015	2040	25-Year Growth	Average Annual Growth
Campbell	41,857	48,100	14.9%	0.60%
Cupertino	59,756	71,200	19.2%	0.77%
Gilroy	53,000	61,400	15.8%	0.63%
Los Altos	30,036	32,800	9.2%	0.37%
Los Altos Hills	8,341	8,600	3.1%	0.12%
Los Gatos	30,505	32,600	6.9%	0.27%
Milpitas	72,606	109,100	50.3%	2.01%
Monte Sereno	3,451	3,700	7.2%	0.29%
Morgan Hill	41,779	50,800	21.6%	0.86%
Mountain View	77,914	100,000	28.3%	1.13%
Palo Alto	66,932	84,600	26.4%	1.06%
San Jose	1,016,479	1,334,100	31.2%	1.25%
Santa Clara	120,973	156,500	29.4%	1.17%
Saratoga	30,799	32,700	6.2%	0.25%
Sunnyvale	148,028	194,300	31.3%	1.25%
Cities population and growth projections	1,802,456	2,320,500	28.7%	1.15%
Unincorporated	87,182	123,000	41.1%	1.64%
Countywide population and growth projections	1,889,638	2,443,500	29.3%	1.17%

Source: 2015 population figures from Department of Finance; 2040 projections from Association of Bay Area Governments

Figure 1 depicts the average annual population growth rate for each city in the County. Cities such as Milpitas, Sunnyvale, Santa Clara and San Jose expect to see growth rates greater than the average than the rest of the cities within the County. These four communities collectively represent over 84% of the population growth expected within the County through 2040. Conversely, communities such as Los Altos Hills, Saratoga, Los Gatos and Monte Sereno anticipate very little growth relative to the rest of the County.

Figure 1. Cities Average Annual Growth from 2015 to 2040



While all of the cities indicated they believe they have the ability to provide the necessary levels of service to their respective communities given their anticipated growth trends over the next five years, long-term growth will place increasing impacts on the provision of various services and amenities such as housing, streets and transportation, wastewater capacity, law enforcement, and parks and open space amenities.

1.4 Jobs, Employed Residents and Housing

This study reviewed cities' general plans and housing elements in relation to ABAG's regional population and growth projections. All 15 cities' housing elements identified sufficient housing opportunities to accommodate the number of housing units required as part of the Regional Housing Needs Assessment (RHNA).

Despite the significant strides being made in Santa Clara County to meet housing needs in an efficient manner, research and interviews point to a significant near-term housing crisis within the County. The heart of Silicon Valley has been a job-rich area for many years. Housing production has not kept pace with the need, which has led to long-distance commutes and highly congested roads.

Employment diminished during the Great Recession, which mitigated the effects of an imbalance in jobs compared with housing units within the cities. As the region recovers from the Great Recession, Silicon Valley employment growth has accelerated faster than housing production, creating impacts in areas such as affordable housing and transportation. Interviews with staff in many cities suggest very rapid and large near-term increases in jobs in the employment centers of Santa Clara, Mountain View, Campbell, Palo Alto, and Sunnyvale.

The jobs/employed-residents ratio measures the balance between where people work and where people live. A balance closer to parity (i.e., 1.0) suggests there is sufficient housing in the community relative to the number of people who work in the community. This does not necessarily mean that the people who live in a city work there, but aggregated for several cities, the jobs/employed-resident ratio begins to paint a

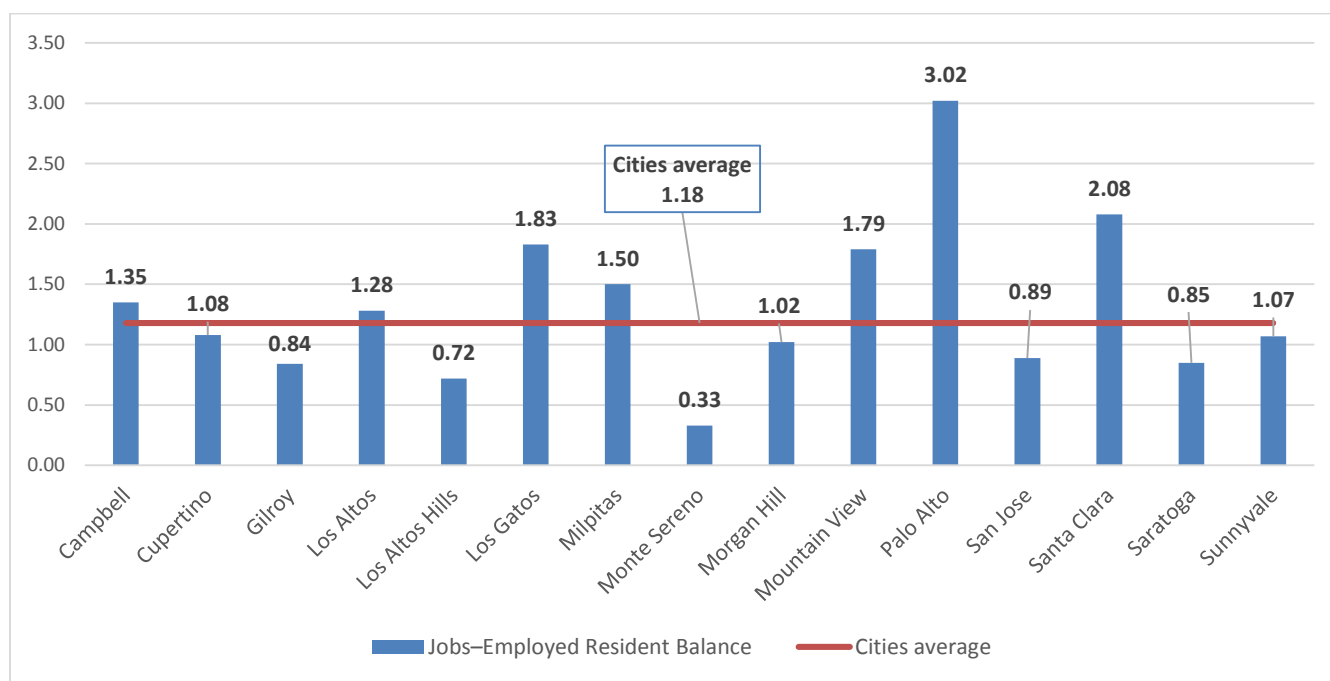
picture of where imbalances exist. It shows which communities “export” workers to other places (a ratio below 1.0) and which communities must import workers from other places (more than 1.0). The closer to balance an area can be, the less need there is for commuting into that area, implying less traffic congestion, fewer vehicle miles traveled, a reduction in the generation of greenhouse gases due to auto use, and reduced commuting time and costs, which translate for most people into a higher quality of life.

The current number of jobs compared to employed residents is indicated in Table 2, along with a graphical depiction of the jobs/employed resident balance in Figure 2.

Table 2. Jobs/Employed Resident Balance for Cities in Santa Clara County in 2014

City	Jobs	Employed Residents	Jobs/Employed Resident Balance
Campbell	29,410	21,770	1.35
Cupertino	27,950	25,890	1.08
Gilroy	18,790	22,310	0.84
Los Altos	15,660	12,230	1.28
Los Altos Hills	2,180	3,040	0.72
Los Gatos	25,000	13,690	1.83
Milpitas	48,660	32,420	1.50
Monte Sereno	470	1,430	0.33
Morgan Hill	18,820	18,510	1.02
Mountain View	79,239	44,167	1.79
Palo Alto	96,900	32,110	3.02
San Jose	414,380	468,060	0.89
Santa Clara	121,950	58,730	2.08
Saratoga	10,360	12,240	0.85
Sunnyvale	80,490	75,360	1.07
Cities total jobs/employed resident balance	990,259	841,957	1.18

Figure 2. Cities Jobs/Employed Residents Balance in 2014



This information portrays the imbalance that exists in Santa Clara County. As the heart of Silicon Valley, the businesses and organizations within the County are unquestionably providing employment opportunities. With an unemployment rate of 3.9%, the County is arguably considered to be at full employment. However, the excess of jobs over the number of employed residents suggests there is insufficient housing available within the County. This imbalance leads to longer commute times, pressure on existing public transportation alternatives, and escalating housing prices. Housing affordability becomes a larger issue. Those that live and/or work in the County are experiencing these impacts today.

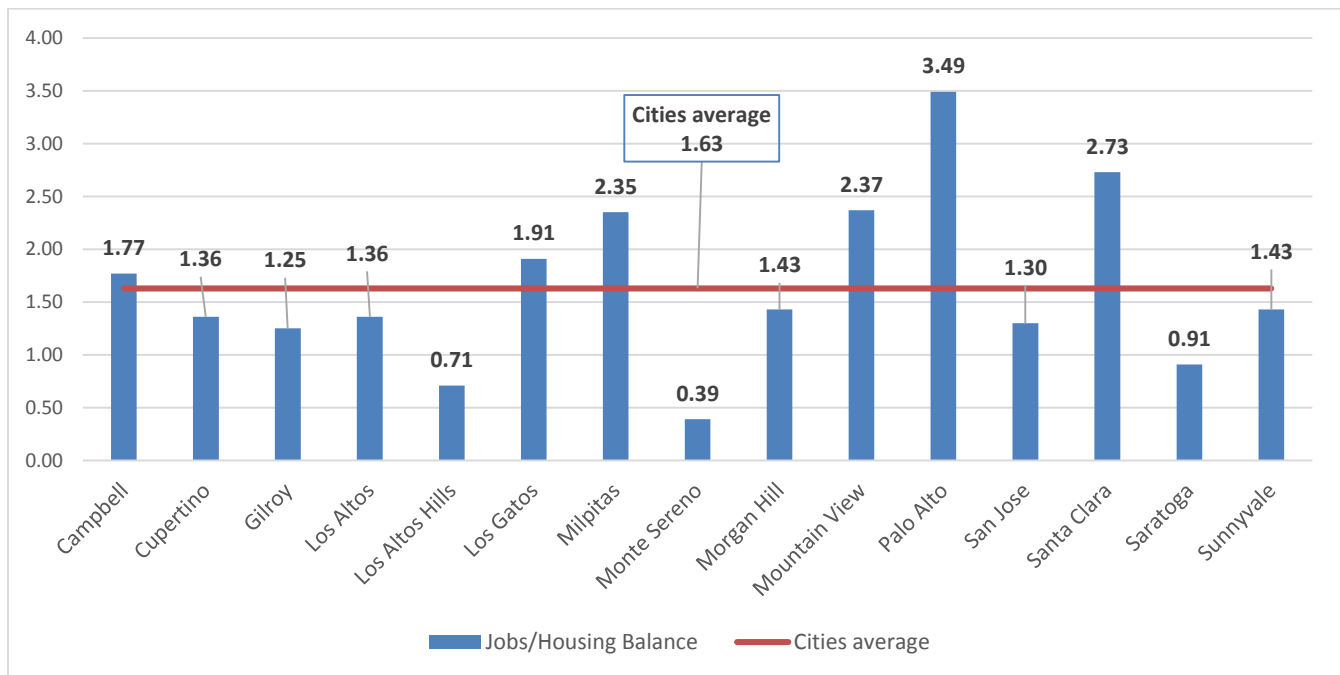
A similar measure is the ratio of jobs to housing available within a community. Used for years as a key urban planning tool, the jobs/housing balance measures the jobs available based on the number of homes in a community. The benefits attributed to parity in the jobs/housing balance mirror those benefits indicated under the jobs/employed residents balance described above. Table 3 and Figure 3 show the jobs/housing balance figures for the cities in the County and indicate the level of job opportunity against available housing in the area.

Table 3. Jobs/Housing Balance for Cities in Santa Clara County in 2014

City	Jobs	Housing Units	Jobs/Housing Balance
Campbell	29,410	16,616	1.77
Cupertino	27,950	20,494	1.36
Gilroy	18,790	15,024	1.25
Los Altos	15,660	11,493	1.36
Los Altos Hills	2,180	3,052	0.71
Los Gatos	25,000	13,102	1.91

City	Jobs	Housing Units	Jobs/Housing Balance
Milpitas	48,660	20,744	2.35
Monte Sereno	470	1,220	0.39
Morgan Hill	18,820	13,129	1.43
Mountain View	79,239	33,468	2.37
Palo Alto	96,900	27,789	3.49
San Jose	414,380	319,700	1.30
Santa Clara	121,950	44,632	2.73
Saratoga	10,360	11,324	0.91
Sunnyvale	80,490	56,168	1.43
Cities jobs/housing balance	990,259	607,955	1.63

Figure 3. Cities Jobs/Housing Balance in 2014



More information regarding the impacts of these trends may be found in the section below entitled “Sprawl Prevention/Infill/Agricultural Preservation.”

1.5 Financial Health of Cities in Santa Clara County

During the Great Recession, many, if not all, cities reduced staffing levels and service levels. The residual effects of staffing level reductions continue to be acutely felt by cities in the region. While some cities have begun restoring staff positions and service levels, others still face challenges. For example, the City of San Jose, which is home to more than 54% of the County’s population, remains financially challenged in

balancing its ongoing revenues with its operating expenditures, particularly in the areas of law enforcement, and in meeting its pension obligations.

The region as a whole has observed a rapid economic expansion following the Great Recession. This economic recovery has placed pressure on local governments to increase housing stock and address growing congestion and transportation issues. The dissolution of redevelopment agencies by the state in 2012 has exacerbated this issue for some cities. The inability to use tax increment financing to invest in the necessary infrastructure to support redevelopment areas and provide the financial tools to invest in affordable housing within their communities has put an additional burden on some cities.

Without exception, every city noted concerns about meeting new state and federal stormwater regulations and identified this as an area for greater potential collaboration. Funding was mentioned as a particular concern in this area.

Each city has a variety of funds in which they account for the resources provided in the form of revenues and the expenditure of those funds to fulfill the agency's purposes. For example, enterprise funds account for self-supporting activities such as water, wastewater and solid waste that are funded through user rates, fees and charges. The government entity has the ability to set those rates, subject to public hearings and the provisions under Proposition 218.

The general fund is the fund in which the larger sources of revenue and expenditures are accounted. Most of the services covered in this MSR, animal control, law enforcement, parks and recreation, stormwater, and general administration, are funded by the general fund. The general fund includes property taxes, sales taxes, transient occupancy taxes, business license taxes, and other fees and charges levied upon the users of those services. A major factor in determining the financial health of a local government agency is the health of its general fund. For comparative purposes, three financial indicators are typically used to identify how agencies are performing financially: 1) General fund revenue per capita, which evaluates revenues relative to the population in the community; 2) General fund expenditures per capita, evaluating expenditures relative to population; and 3) Unreserved (unassigned and assigned) general fund reserves as a percent of annual operating expenditures. Table 4 provides information about these statistics.

Table 4. Comparison of Select Financial Indicators

City	Population	FY 2014 General Fund Revenue Per Capita	FY 2014 General Fund Expenditures Per Capita	FY 2014 General Fund Reserves as percent of Expenditures
Campbell	41,857	\$987	\$867	8.2% ¹
Cupertino	59,756	\$1,238	\$695	62.6%
Gilroy	53,000	\$793	\$746	56.4%
Los Altos	30,036	\$1,199	\$953	100.2%
Los Altos Hills	8,341	\$965	\$570	114.0%
Los Gatos	30,505	\$1,261	\$1,144	73.3%
Milpitas	72,606	\$972	\$866	32.1%
Monte Sereno	3,451	\$623	\$522	356.7%
Morgan Hill	41,779	\$724	\$689	41.8%
Mountain View	77,914	\$1,389	\$1,369	36.1%
Palo Alto	66,932	\$2,117	\$2,010	31.3%

City	Population	FY 2014 General Fund Revenue Per Capita	FY 2014 General Fund Expenditures Per Capita	FY 2014 General Fund Reserves as percent of Expenditures
San Jose	1,016,479	\$774	\$704	22.8%
Santa Clara	120,973	\$1,421	\$1,216	19.5%
Saratoga	30,799	\$593	\$524	64.6%
Sunnyvale	148,028	\$951	\$964	37.3%
Median of all cities	53,000	\$972	\$866	41.8%

¹ Campbell has implemented a reserve policy that commits a significant level of reserves to an “economic fluctuations and emergencies” reserve account that could be used in the event of an economic downturn which, if taken into account, would yield a reserve of 18.4%, above the GFOA recommended minimum.

Figures 4 and 5 present the General Fund revenues and expenditures, respectively, on a per capita basis for each city within the County.

Figure 4. General Fund Revenues per Capita for Santa Clara County Cities in FY 2014

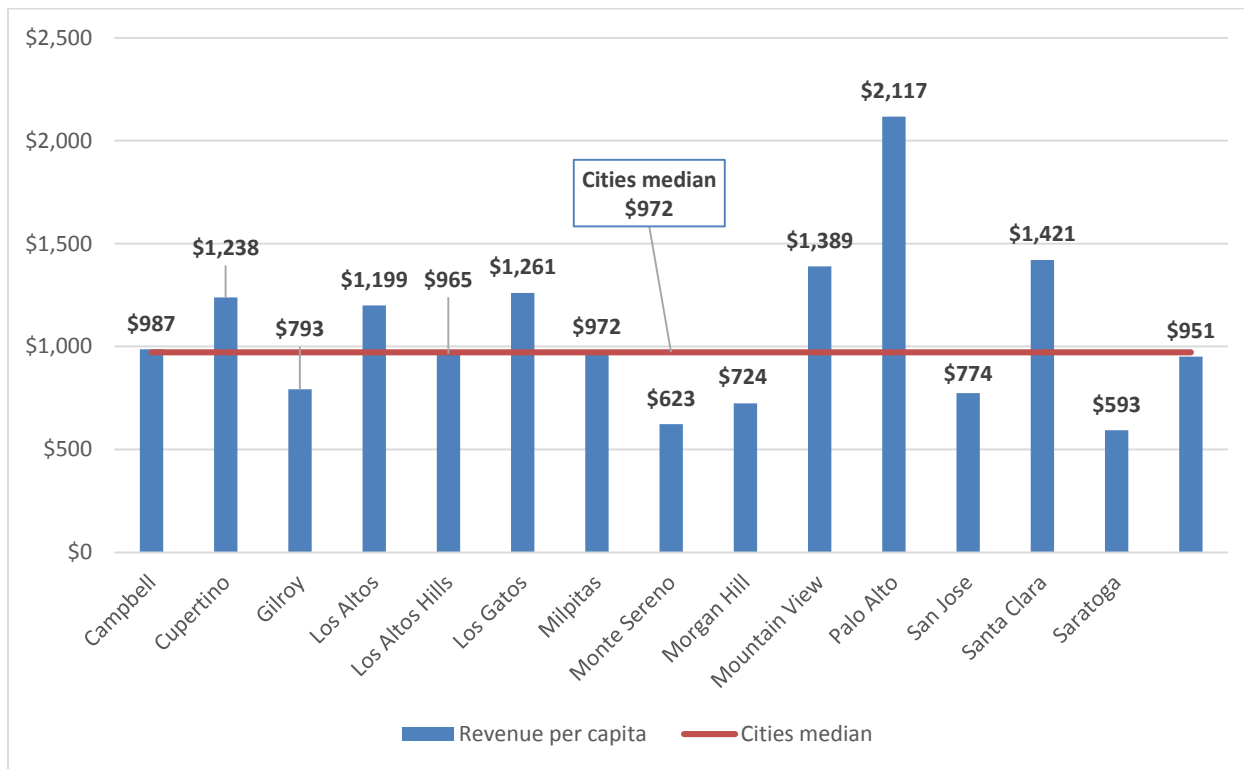
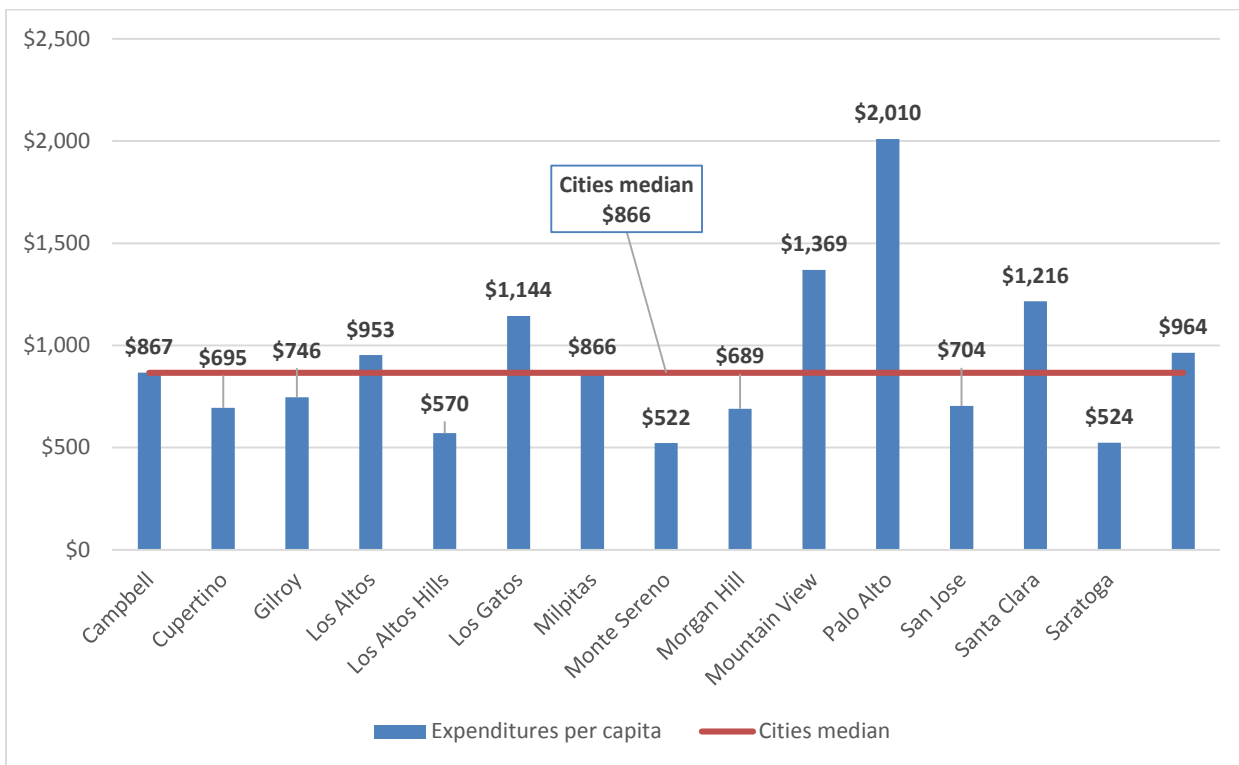


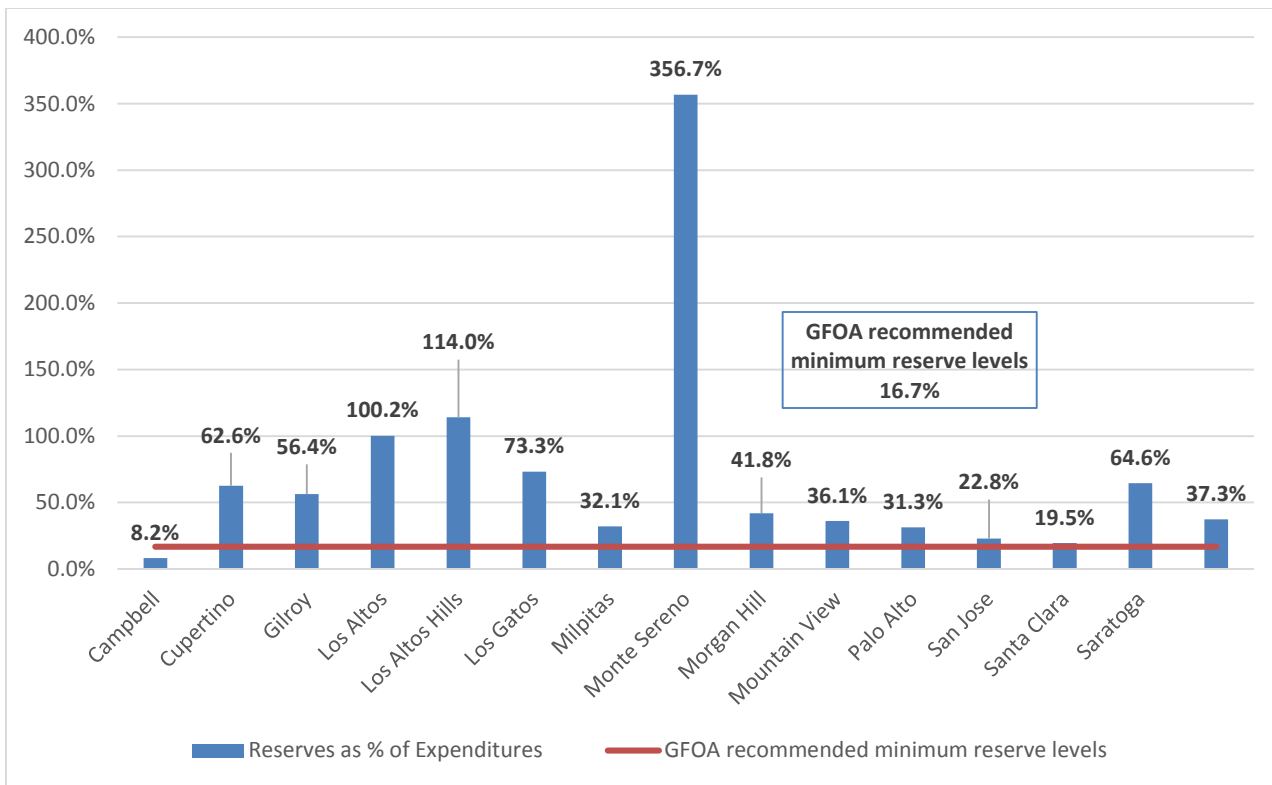
Figure 5. General Fund Expenditures per Capita for Santa Clara County Cities in FY 2014



One of the key indicators of financial health is the level of general fund reserves as a percent of operating expenditures. This measure provides insight into the reserves available to weather economic storms like the Great Recession. Cities with higher levels of reserves have the ability to continue to provide services at the same level for a longer period of time. Those with lower levels of reserves will be required to make more immediate changes, and in some cases will force entities to make fast, across-the-board cuts in services rather than strategically looking at their operations to determine the most appropriate ways to match the costs of providing services to the resources available. The Government Finance Officers Association (GFOA), the association of finance directors of state and local governments in the United States, indicates that a minimum reserve policy of two months of operating expenditures, or 17% of annual operating expenditures, be maintained to allow the government agency a minimum level of ability to enact changes to maintain services at an acceptable level and avoid the potential for bankruptcy.

Figure 6 displays the General Fund reserve levels for each city. With the exception of Campbell, all of the cities in Santa Clara County have a combination of unassigned and assigned reserves above the GFOA's recommended minimum policy level.

Figure 6. Unreserved General Fund Reserves as a Percentage of Annual Operating Expenditures for Santa Clara County Cities in FY 2014



¹ Campbell has implemented a reserve policy that commits a significant level of reserves to an “economic fluctuations and emergencies” reserve account that could be used in the event of an economic downturn which, if taken into account, would yield a reserve of 18.4%, above the GFOA recommended minimum.

The outcome of this MSR finds that cities in Santa Clara County have made it through the Great Recession with sufficient reserves to provide the necessary services to their respective communities. Cities are anticipating operating surpluses in their general funds in the current year, and are anticipating maintaining a sufficient level of reserves in their five-year forecasts. There are three exceptions noted as part of this MSR:

1. **Stormwater Requirements** – Cities are confronting several changes to unfunded state mandates related to stormwater infrastructure maintenance. The cities are addressing those issues individually and, in some cases, collectively through regional discussions and through their membership in the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPP). These requirements might require significant improvements to existing stormwater infrastructure and most of the cities as part of this MSR indicated their concerns relative to the financial impact those requirements may have. Those costs have not been identified nor included in the cities’ respective long-range financial forecasts.
2. **City of Milpitas** – The City is anticipating general fund deficits averaging \$1.3 million per year over the next five years unless revenue enhancements or an expenditure reduction plan is implemented. The City will also be addressing significant deferred infrastructure maintenance costs anticipated in the near future, which will also be considered in its five-year financial planning activities. The City is in the process of addressing those issues.

3. **City of San Jose** – The City is projecting operating deficits totaling \$10.2 million from FY 2016 to FY 2019 in its five-year financial forecast. Those forecasts do not include costs associated with retiree healthcare, restoration of services, or unmet or deferred infrastructure and maintenance needs that could further erode General Fund reserves over that period. The City is in the process of adopting a fiscal reform plan that includes measures to increase revenues, reduce expenditures, or a combination.

1.6 Sprawl Prevention/Infill/Agricultural Preservation

Santa Clara County has been at the forefront of city and county planning in California, with the adoption of the Countywide Urban Development Policies in the early 1970s and the use of city urban service area (USA) boundaries. In the 1990s, the County and interested cities worked together to adopt urban growth boundaries (UGBs) for several cities, delineating areas intended for future urbanization.

One of the benefits of limiting sprawl is the continued availability of farmland in close proximity to urbanized areas. Retaining local food sources is increasingly recognized for generating environmental, health, economic, and community benefits. The preservation of agricultural lands and open space is a key mission of Santa Clara County LAFCO. Despite these efforts, between 2002 and 2012 the amount of “Important Farmland” in Santa Clara County (farmland that is prime, unique and of local importance) shrank 36.6% from 42,173 to 26,748 acres. Relatively little of this reduction in the amount of Important Farmland is due to direct urbanization or in anticipation of near-term development due to the expansions of city urban service areas (which did not significantly expand between 2002 and 2012).

Because the definition of Important Farmland is land that is being actively farmed, the actual loss of farmland is likely due to the discontinuation of active farming. Research into why land is no longer being farmed as recently as 10 years ago could lead to public policies that support farming, discourage conversion of farmland to other uses and assist in encouraging the re-establishment of farming on prime farmland.

While most of Santa Clara County cities have adopted policies to limit their geographic expansion, they have also found ways to accommodate substantial residential and employment growth through infill development. They have done so through policies to encourage what is sometimes called “smart growth:” focusing moderate to higher density development near existing infrastructure, especially transit. In the Bay Area, smart growth has become regional policy with ABAG’s adoption of Plan Bay Area in 2013. ABAG prepared Plan Bay Area to implement SB 375, a landmark state law that required California’s regions to adopt plans and policies to reduce the generation of greenhouse gases (GHGs), primarily from transportation. Higher densities allow for improved transit, bicycle, and pedestrian access and thereby reduce the amount of transportation-related greenhouse gases generated per new unit.

Plan Bay Area is based on municipalities throughout the Bay Area encouraging development in self-identified Priority Development Areas (PDA). These are areas within existing cities that are mostly well-served by transit and with significant opportunities for increased development. The cities in Santa Clara County and the Santa Clara Valley Transportation Authority (VTA) have identified 42 PDAs. San Jose in particular has aggressively pursued the PDA strategy, in part as a means of revitalizing many of its traditional community centers. Only two cities in the County are planning to grow outside of their existing USA boundaries. The cities of Morgan Hill and Gilroy are each preparing new general plans that, in their initial preliminary drafts, project faster growth than expected in Plan Bay Area and call for development of contiguous land areas outside their current USA boundaries. Much of the land on which these cities would expand is or was recently defined as Important Farmland.

Despite the significant strides being made in Santa Clara County to meet housing needs in an efficient manner, the interviews conducted for this MSR and a great deal of recent anecdotal evidence point to a significant near-term housing issue for the County due to very rapid employment growth in the heart of Silicon Valley. Silicon Valley has for many years been a job-rich area with housing production that has not kept pace with the need, leading to long-distance commutes and highly congested roads. Millions of square feet of proposed new commercial/industrial development point to a near-term job boom that is already leading to escalating housing costs in the greater Bay Area region.

While sprawl may be largely contained in most of Santa Clara County, the impacts of inadequate housing production can contribute to sprawl in other portions of Santa Clara County and in the other nearby counties with associated impacts on an already strained transportation network both in and outside the County.

1.7 Shared Services

Local governments have an opportunity to reduce operating costs or maximize staffing potential for specific services without compromising service levels by sharing facilities and services. As part of a service review, LAFCO is required to analyze and prepare a written determination on the “status of, and opportunities for, shared facilities.”

Santa Clara County cities have been sharing facilities and services for years. The Great Recession created the economic environment where cities were being challenged to provide an equivalent level of services in a more cost effective manner. Since 2009, cities in the County have been identifying further opportunities to provide services in a more collaborative fashion.

Through this MSR, numerous examples of shared facilities, services, and equipment were identified in areas such as animal control, law enforcement, library services, parks and recreation, public works, solid waste, stormwater and wastewater. These shared-service opportunities manifest themselves in a variety of forms, including joint powers agreements, memoranda of understanding, joint use agreements, and contracts or other agreements of services between public agencies.

Every city in the County is involved in some form of shared services. Cities such as San Jose, Santa Clara and Palo Alto tend to be in the role of service providers, given their location in the County, the history of service provision, and the facilities they developed over the years, especially in the area of wastewater treatment. Monte Sereno, given its relatively small size, relies heavily on other municipalities to provide services to its community. Monte Sereno finds there are economies of scale that result from partnering with other agencies such as Los Gatos, Campbell, and the Los Gatos Saratoga Recreation District. Several cities are working with their local school districts to share recreation facilities such as sports fields or swimming pools. Animal control is often shared; nearly every city is either a shared service provider (San Jose, Palo Alto) or consumer. The communities of Palo Alto, Morgan Hill and San Jose also have public-private partnerships with nonprofit organizations that provide services such as senior and recreation services within the community.

Cities remain keenly interested in identifying new opportunities to achieve greater efficiencies through regional collaboration with nonprofit organizations and other local government agencies, including schools, special districts and the County. Greater opportunities for shared services identified through interviews include the following:

- ***Animal control and shelter services*** – Palo Alto, San Jose, and the Silicon Valley Animal Control Agency are the three providers of animal control services in the county. Palo Alto may need to seek other providers should the costs for providing those services become prohibitive. There is an

opportunity to look at a form of countywide animal control and sheltering in the County to provide more seamless services at affordable costs.

- **Law enforcement dispatch** – Police dispatch is an area where many agencies in the region have identified opportunities to consolidate services, which may eliminate redundant or duplicative services based on an analysis of call volume during peak periods.
- **Athletic fields and park facilities** – A growing population combined with infill development places pressure on existing outdoor recreational amenities. Further sharing of sports fields and parks facilities with local school districts or public-private partnerships with local industry might provide the ability to meet the growing demand for outdoor spaces within the County.
- **Recreation services and facilities** – The growing population also places strain on the availability of recreation classes and facilities. Further sharing between cities, school districts, special districts dedicated to recreation services, and libraries could bridge the gap between demand and supply for recreation amenities.
- **Solid waste management and recycling programs** – Cities overall are doing well complying with the provisions of AB939 and AB341. There is the opportunity to investigate greater regionalization of solid waste management and the procurement of solid waste services to lower costs for collection, disposal and recycling services.
- **Stormwater management** – The new permitting standards issued by the State Water Resources Control Board in 2013 are placing significant pressures on cities in the County to meet those standards. Agencies in the County north of Morgan Hill are included in Region 2 (San Francisco Regional Water Quality Control Board) while Morgan Hill and Gilroy are included in Region 3 (Central Coast Regional Water Quality Control Board) of the State Water Resources Control Board. The Santa Clara agencies in Region 2 participate in the SCVURPP for permitting in compliance with NPDES requirements. The cities participating in SCVURPP felt that sharing management oversight of the discharge systems could provide efficiencies and a coordinated effort to address the new standards.
- **Utilities/community choice aggregation** – Cities in the County are taking advantage of the opportunities provided by AB117 to procure electricity services together. Doing so can reduce power costs and accelerate the implementation of clean power initiatives such as solar energy.
- **Wastewater treatment/recycled water** – In light of the current drought that is having an historic detrimental impact on the availability of potable water, the cities of Palo Alto, Santa Clara and San Jose are identifying possible improvements to expand their existing recycled water treatment capacity and, in the case of San Jose and Santa Clara, the possibility of creating potable water sources. Expansion of recycled water, however, will be incumbent not just on the expanded capacity to treat wastewater, but also on distributing recycled water to industrial, commercial, residential, and government users in a cost-effective manner. In addition, agencies such as the Santa Clara Valley Water District are investigating long-term strategies using highly purified recycled water to replenish groundwater basins.
- **Other services/facilities** – other shared service opportunities in the areas of large equipment maintenance, consolidated fire dispatch, ambulance transport, emergency preparedness and shuttle systems were also identified by cities while preparing this MSR as opportunities for further investigation.

1.8 Concluding Remarks

Overall, in recent years cities have been able to provide the essential service levels required of them and the infrastructure to support those services. Based on the criteria established for this Cities Service Review, cities have indicated an overall financial, operational, and administrative ability to provide services within their communities. All 15 are poised to continue providing an adequate level of services and necessary facilities to support anticipated growth projections.

The Great Recession had its impact on cities, but those in this County rose to the challenge, reducing staffing levels and expenditures, and identifying other funding sources to provide services at acceptable levels within their communities. Furthermore, the state abolished redevelopment agencies, which placed additional pressure on many cities to provide the necessary infrastructure and affordable housing funding in their communities.

As the Great Recession has subsided, economic recovery has placed new burdens on local governments to increase housing stock and address growing congestion and transportation issues. Cities are being asked to restore services and funding levels to programs at pre-recession levels. The cities in this County must work together to address the growing need for housing to support the economic expansion in this region, deal with the unfunded state mandates relative to stormwater management, and identify greater opportunities to work collaboratively to address the service demands placed upon them.

Background

2 Background

2.1 Service Review Requirements

As of January 1, 2001 the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000, et seq.) requires Local Agency Formation Commissions to conduct periodic, comprehensive reviews of services provided within the County. This review must be complete before or in conjunction with Sphere of Influence (SOI) boundary updates, which LAFCO is required to conduct at least once every five years. MSRs allow LAFCO to consider the potential service delivery options that would match the needs of any SOI changes. Cortese-Knox-Hertzberg requires LAFCO to prepare and adopt a written statement of determinations that consider each of the following factors:

- Growth and population projections within each agency’s boundary
- Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI
- Current, anticipated, and planned capacity of public facilities; adequacy of public services, and infrastructure needs or deficiencies, including infrastructure needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the SOI
- Financial ability of agencies to provide services
- Status of and opportunities for shared facilities
- Accountability for community service needs, including governmental structure and operational efficiencies
- Any other matter related to effective or efficient service delivery, as required by commission policy

2.1.1 Sphere of Influence and Urban Service Area

State law defines the SOI as “the probable physical boundaries and service area of a local agency.” In Santa Clara County, however, the area within a city’s SOI should not imply that the city will annex, allow development, or provide services within the SOI. Instead, LAFCO recognizes the Urban Service Area (USA) as the planning boundary for cities in Santa Clara County. The USA delineates areas that are currently receiving urban services, facilities and utilities, or areas proposed to be annexed into a city within the next five years, with the intention that these areas will be developed and provided municipal services.

In Santa Clara County, the USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether an area will be annexed.

GC Section 56425 requires LAFCO, when determining the SOI of each city, to prepare and adopt a written statement of determinations regarding the following:

- The present and planned land uses in the area, including agricultural and open-space lands
- The present and probable need for public facilities and services in the area
- The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide
- The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency
- For those cities that provide public facilities or services related to sewers, water or fire protection, the present and probable need for those public facilities and services in any DUCs within the existing SOI

2.2 Purpose of the Report

The Cities Service Review is intended to assist LAFCO as it fulfills its State mandate to update SOIs and initiate or consider jurisdictional boundary changes. The review may also serve as a resource for future studies, particularly in the special areas of focus described in chapters 21 and 22.

In addition to preparing service review determinations and the SOI review/update, the Cities Service Review is intended to review current practices and explore future opportunities for collaboration among cities and other local agencies or organizations to achieve common goals and efficient service delivery. This review, therefore, also focuses on joint efforts and opportunities related to shared services, sprawl prevention, infill development, and agricultural land preservation, as discussed in chapters 21 and 22.

LAFCO has used previous service reviews to highlight best practices for local agency transparency and public accountability, such as maintaining comprehensive financial records, preparing and submitting timely audits, adopting a capital improvement plan, adopting a long-range plan, evaluating the agency's performance, and complying with the Brown Act. Service reviews have also been used to evaluate potential governance structures for local agencies, such as consolidation, merging, and dissolution.

LAFCO is not required to initiate boundary changes based on service reviews. However, LAFCO, local agencies, or the public may subsequently use the service reviews together with additional research and analysis where necessary to pursue changes in jurisdictional boundaries.

2.3 Cities Service Review

2.3.1 Agencies Reviewed

The scope of this report included a service review of the 15 cities within Santa Clara County. In addition, three unincorporated areas were identified for review because of the relationships between these areas and their adjacent municipalities. Moffett Field, San Martin, and Stanford University are included in this service review because of their proximity to Santa Clara County cities, size, and potential for creating service impacts on the cities of Mountain View and Sunnyvale (in the case of Moffett Field), Palo Alto (in the case of Stanford University), and Morgan Hill and Gilroy (in the case of San Martin). Profiles of these unincorporated areas are included in this report after the individual city chapters.

Table 5 shows the cities and unincorporated areas evaluated in the Cities Service Review along with 2015 population estimates and total area.

Table 5. Overview Data for Jurisdictions in the 2015 Cities Service Review

Jurisdiction	2015 Population	Square Miles
Campbell	41,857	6.09
Cupertino	59,756	11.32
Gilroy	53,000	16.56
Los Altos	30,036	6.52
Los Altos Hills	8,341	9.00
Los Gatos	30,505	11.39
Milpitas	72,606	13.56
Monte Sereno	3,451	1.61
Morgan Hill	41,779	12.91
Mountain View	77,914	12.20

Jurisdiction	2015 Population	Square Miles
Palo Alto	66,932	25.96
San Jose	1,016,479	180.67
Santa Clara	120,973	18.18
Saratoga	30,799	12.78
Sunnyvale	148,028	22.88
Unincorporated Areas		
Moffett Field	4,561	1.49
San Martin	7,027	11.6
Stanford University	29,523	12.78

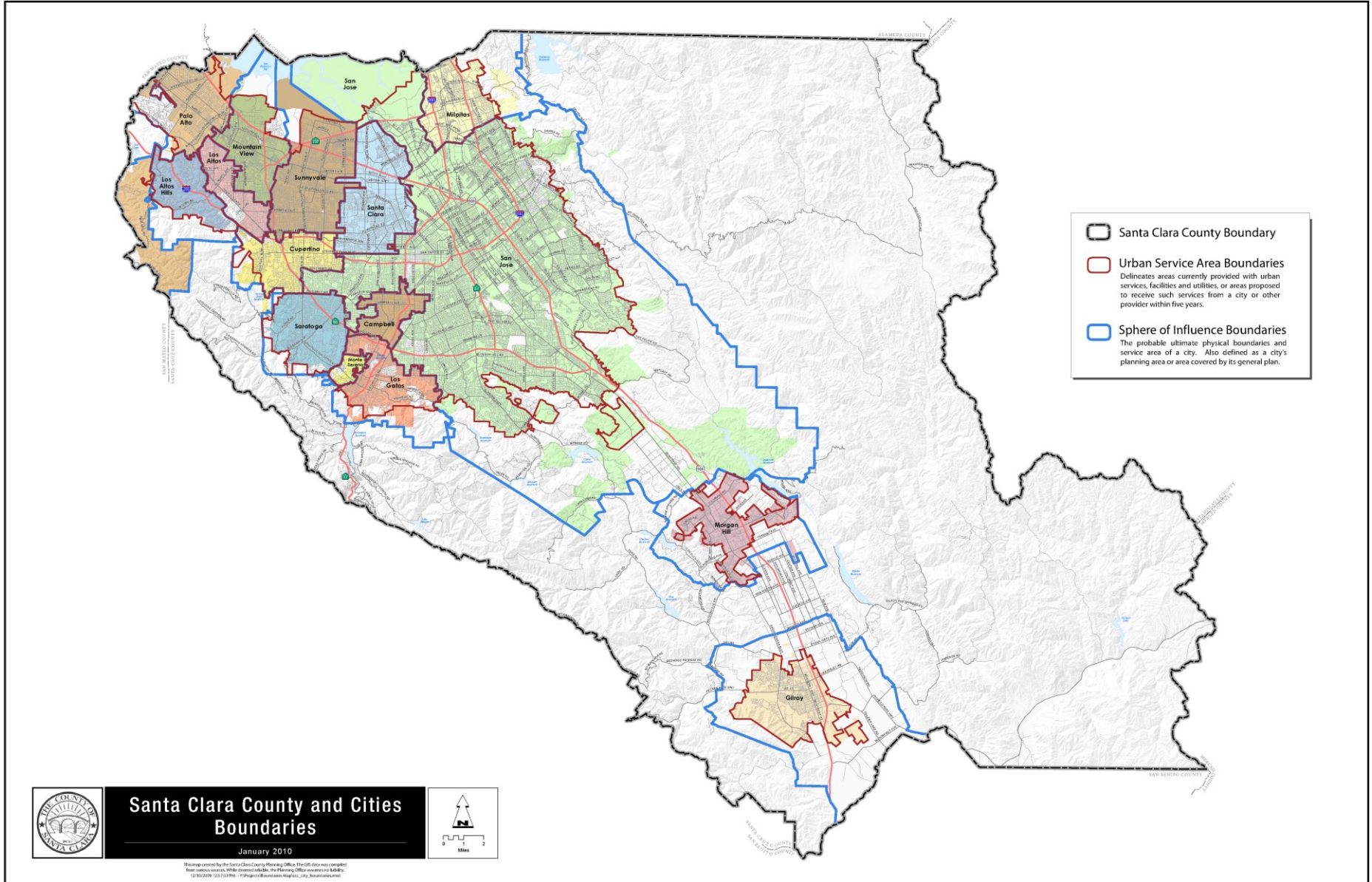
Source: Department of Finance 2015 Population Estimates, LAFCO, Staff from Moffett Field and Stanford University; US Census Bureau, 2010 estimates used for San Martin

LAFCO is responsible for establishing, reviewing and updating SOIs for 43 public agencies in Santa Clara County (15 cities and 28 special districts). LAFCO completed and adopted its first round of service reviews and SOI updates for all cities and special districts in Santa Clara County prior to January 1, 2008, as required by state law.

LAFCO began its second round of required service reviews in 2010 with a Countywide Fire Service Review, which was completed in December 2010. In December 2011 LAFCO completed a Countywide Water Service Review, and in August 2010 it completed a Service Review and Audit of the El Camino Healthcare District. LAFCO then completed the Special Districts Service Review in two phases (June and December 2013). The SOIs for all special districts were reviewed and updated as necessary in conjunction with the completed service reviews.

A map of these 18 jurisdictions can be seen in Figure 7.

Figure 7. Map of Santa Clara County Cities



For the most current depiction of city boundaries, see each city's boundary map located in the individual city chapters of this document.

2.3.2 Services Reviewed

Municipalities provide a wide range of services. Some of these services have been covered in prior MSRs. For example, LAFCO issued its MSR for fire services in December 2010 and its MSR for water services in December 2011. Thus, this report does not address these two services.

The Cities Service Review provides an overview of the services provided by each agency. The Review is performed at a high-level and does not evaluate services that are provided by each City at a detailed level. The following ten municipal service areas were included within the scope of this Cities Service Review:

- Animal control
- Law enforcement
- Library
- Lighting
- Parks and recreation
- Solid waste
- Streets
- Stormwater
- Utilities (gas and electricity)
- Wastewater

In each city chapter there is a discussion of the particular service delivery model used, FY 2014 expenditures, and any areas of concern identified by city management for these ten service areas.

2.3.3 Special Areas of Focus

In addition to the ten core areas of municipal services described in 4.4.2, the report focuses on cities' efforts in the following special areas:

- (1) Shared services
- (2) Sprawl prevention and infill development, and agricultural land preservation

2.4 Project Approach and Methodology

Management Partners worked closely with LAFCO staff and the Commission's Technical Advisory Committee (TAC) as the Cities Service Review was conducted. The TAC is comprised of a subset of LAFCO commissioners and special local appointees from various professional organizations such as the City Managers' Association, Association of Planning Officials and, Municipal Public Works Officials' Association.

Working with LAFCO staff and the TAC, Management Partners identified which service areas were of greatest importance to the Commission, a timeline for data collection, and criteria to be used when making the state-mandated service and SOI determinations required as part of this report.

2.4.1 Data Collection

The project commenced with a comprehensive review of publicly available documents to understand the current services and service levels provided by the 15 cities and three unincorporated areas. Adopted budgets, capital improvement plans, comprehensive annual financial reports, general plans and master plans were consulted to create a workbook for each agency. These workbooks consolidated available information and highlighted areas for further discussion with cities prior to an in-person interview with city officials.

2.4.2 Interviews

LAFCO and Management Partners arranged to meet with representatives of the 15 cities, Moffett Field and Stanford University. Through these interviews, the project team learned about how these agencies provide services to residents and engage with outside service providers. The interviews with city officials also

focused on any plans to annex the unincorporated islands within their USAs, grow their boundaries to accommodate anticipated development, and preserve and protect open space and agricultural uses.

In advance of the interview, agency staff members received a draft workbook that detailed the information gathered from publicly available data for verification and elaboration. City officials also received a list of the additional information needed to complete the Cities Service Review. Management Partners' project team and LAFCO staff met with several members of each city's staff, including the city manager, public works director, and planning director. During meetings, city staff supplied many essential pieces of information vital to completing each city profile chapter. After the meetings, Management Partners followed up with the cities as needed to collect and confirm missing data.

2.4.3 Jurisdictional Profiles

Following the interviews, a draft profile was prepared for each agency. The profile incorporated information collected from publicly available data sources and data provided by city officials. The purpose of the profiles was to summarize service delivery methods and key issues facing the jurisdiction. The draft profiles were provided to each agency to check facts and verify data. Using the information that cities reviewed and corroborated, the initial draft Cities Service Review was prepared for issuance in September 2015 for public review and comment. In some instances, the data requested was not provided in time for publication of this report.

2.4.4 Evaluation Criteria for Determinations

Management Partners worked with LAFCO staff and the TAC to develop criteria for making state-mandated determinations. Table 6 shows the evaluation criteria used in the Cities Service Review, which were developed using state and LAFCO policies.

To inform the third determination area related to adequacy of public service, Management Partners and LAFCO developed a robust list of service level statistics for each agency in the ten key service areas being reviewed. These are summarized in Table 7 and compiled for all 15 cities in Attachment A.

Table 6. Evaluation Criteria Used for Determinations

Determination Area	Adopted Determination Criteria
1) Growth and population projections for the affected area	<ul style="list-style-type: none"> • Projected population growth within the agency’s service areas based on ABAG population projections • Anticipated growth patterns based on Plan Bay Area and agency general plan documents
2) Location and characteristics of Disadvantaged Unincorporated Communities (DUCs) within or contiguous to the SOI	<ul style="list-style-type: none"> • Pursuant to GC 56033.5, a DUC in Santa Clara County is a community with an annual median household income that is less than 80% of the statewide annual median household income (i.e., less than \$48,875, per U.S. Census Bureau, 2009-2013 Five-Year American Community Survey) and where there reside twelve or more registered voters. Census data at the block group level is used to conduct the income analysis because it is the lowest statistical level at which annual median household income data is collected.
3) Present and planned capacity of public facilities and adequacy of public service, including infrastructure needs and deficiencies	<ul style="list-style-type: none"> • Capacity and condition of existing infrastructure and its ability to meet service-level needs based on anticipated population growth • Service-level deficiencies identified based on current service levels and anticipated growth • Consistency with capital improvement plans • Consistency with local and regional land use plans and policies
4) Financial ability of the agency to provide services	<ul style="list-style-type: none"> • Operating General Fund deficit and surplus trends for the past five years • Balanced General Fund budgets using one-time revenues, deferred expenditures or borrowing • Unreserved General Fund reserves as a percent of operating expenditures for FY 2014 • Liquidity as measured when comparing cash and short-term investments over current liabilities for FY 2014 • Timeliness and accuracy of financial reporting by ensuring that the State Controller’s Financial Transactions Report was filed on a timely basis and that the CAFR for FY 2014 received a clean opinion and was issued within six months of the fiscal year’s end
5) Status of and opportunities for shared facilities	<ul style="list-style-type: none"> • Current shared services and activities with other service providers, including shared facilities and staff, in each of the examined service areas • Duplication of existing or planned facilities of other service providers • Availability of excess capacity to serve customers of other agencies
6) Accountability for community service needs, including governmental structure and operational efficiencies	<ul style="list-style-type: none"> • Availability of agendas, budget and financial information on the agency’s website • Availability of the general plan and various elements on the agency’s website • Time and place for public to provide input prior to decision being made

Table 7. Service Level Statistics Compiled for Cities Service Review

Service Area	Statistic
Animal Control	Dog licenses issued per 1,000 residents Number of animals handled at the shelter per year Calls for service (most recent year available)
Law Enforcement	Number of violent crimes Number of property crimes Violent crime clearance rate Property crime clearance rate Sworn personnel (FTE) per 1,000 population Crimes (violent and property) per sworn FTE Violent crime rates per 1,000 population Property crime rates per 1,000 population
Library	Circulation per capita Public access computers per 1,000 population
Lighting	Signalized intersections Maintained traffic lights Maintained street lights
Parks and Recreation	Park acres per 1,000 population (all agencies in the city) Recreation centers per 20,000 residents Miles of recreational trails maintained by the city
Solid Waste	Residential waste diversion rate Total waste diversion rate Tons of waste disposed per capita Pounds of solid waste per person per day – population and employees
Streets	FY 2014 Pavement Condition Index (PCI) Bicycle lane miles on city streets (Class 1 and 2)
Stormwater	Compliance with National Pollutant Discharge Elimination System Standards Percent of storm drainage inlets equipped with trash capture devices Miles of closed storm drain Miles of open channel storm drain Storm drain inlets Capacity of stormwater drain, if available Stormwater recharge facilities Stormwater detention basins Provision for stormwater reclamation
Gas/Electric (municipal providers)	System Average Interruption Frequency Index (SAIFI) System Average Interruption Duration Index (SAIDI)
Wastewater	Gallons of annual sewer overflow per 100 miles of pipe Individual septic systems within jurisdiction

2.4.5 Data Analysis and Determinations

The criteria developed with LAFCO's staff and TAC members were used to make the state-mandated determinations. Based on publicly available information, interviews, and the data provided by the individual jurisdictions, Management Partners applied the criteria shown in Table 6 to make determinations for each agency.

2.4.6 Public Draft

An initial public draft was prepared for review and comment in September 2015. Public hearings are scheduled for October and December 2015. The final report is expected to be adopted by LAFCO in December 2015.

2.5 History of Urban Development Policies/Boundaries in Santa Clara County

Over the years, the cities, County, and LAFCO have adopted a series of planning tools and strategies to manage growth in Santa Clara County. The following is a historical overview of the development and use of various planning boundaries and policies in Santa Clara County.

2.5.1 Boundary Agreement Lines

In 1967, LAFCO adopted "boundary agreement lines." These lines were intended to end the "annexation wars" in which cities were competing among themselves to annex additional lands. These boundary agreement lines divided the County into 15 pieces, indicating the maximum geographic extent to which each city could potentially annex. (These boundaries were initially labeled as sphere of influence (SOI) boundaries but were re-named "boundary agreement lines" in 1976.)

2.5.2 Urban Service Areas (USAs)

In April 1970, LAFCO adopted its "Guidelines" consisting of policies and criteria, which it proposed to use in reviewing proposals for annexations of land to cities and special districts, incorporation of new cities, and formation of new special districts. Included in these "guidelines" were policies encouraging cities and special districts that provide municipal-type services to "establish urban development areas within their sphere of influence" and "define and establish staged urban development plans for these urban development areas."

In order to implement these concepts of staged urban development, LAFCO, the County, and the 15 cities, jointly developed and adopted Countywide Urban Development Policies which can be summarized as follows:

- Urban development should occur only on lands annexed to cities – and not within unincorporated areas.
- Urban expansion should occur in an orderly, planned manner – with the cities responsible for planning, annexing and providing services to urban development, within adopted "urban service areas" whose expansion is subject to LAFCO approval.
- Urban unincorporated islands should eventually be annexed into their surrounding cities – so that cities have urban service responsibilities and land use authority over all lands within their urban service area boundaries.

Subsequently, between 1972 and 1973, the 15 cities proposed urban service area (USA) boundaries that identified lands which they intended to annex and plan for urban development and provision of urban services/facilities, within a 5-year time span. These boundaries were adopted by LAFCO and their amendment is subject to LAFCO approval, at the request of the city. Because urban service areas determine where and when future growth will occur and services will be provided, LAFCO reviews each USA expansion request very carefully.

One of LAFCO's first considerations in reviewing an expansion request is whether there are infill development opportunities and whether the city has used its existing supply of vacant land before seeking to expand its urban service area. Among many other factors, LAFCO also will consider whether the expansion would result in conversion of agricultural or open space lands, whether the services and infrastructure needed to support the proposed growth can be financed and provided without negatively impacting current city services, and whether there is an adequate water supply available.

2.5.3 Spheres of Influence (SOIs)

In 1972, state law was amended to require that LAFCOs adopt SOI boundaries for all agencies within its jurisdiction, indicating the physical boundary and service area each agency is expected to serve. Since Santa Clara LAFCO's SOIs were lines that divided the County into 15 pieces, one for each city, these lines were renamed "boundary agreement lines" and new SOIs were adopted that corresponded generally to the outer boundaries of a city's general plan area.

In 1985, LAFCO formally adopted spheres of influence for the cities and special districts after completing a comprehensive review and analysis necessary to make the required findings in state law. State law defines spheres of influence as a plan for the probable physical boundaries and service area of a local agency, as determined by LAFCO.

In Santa Clara County, this definition is relevant for special districts; however, for cities, the inclusion of an area within a city's SOI should not necessarily be seen as an indication that the city will either annex or allow urban development and services in the area. The USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether an area will be annexed and provided with urban services. The USAs serve the objectives of the CKH Act and LAFCO policies such as directing the location of urban development to prevent urban sprawl, ensuring an agency's ability to provide efficient services, and preserving agricultural and open space lands. Therefore, USA boundaries for cities in Santa Clara County serve the objectives of SOI boundaries as defined in state law.

Spheres of Influence for cities in Santa Clara County serve multiple purposes, including serving as:

- A long-range planning tool to help LAFCO evaluate USA boundary changes and annexation requests
- The area designated as a city's planning area or area covered by a city's general plan
- Areas that will not necessarily be annexed by a city or will not necessarily receive services from the city, but areas in which the County and a city may have shared interests in preserving non-urban levels of land use
- Areas where a city and a county have significant interaction
- Areas that contain social or economic communities of interest to a city

2.5.4 City Urban Growth Boundaries and City General Plan Boundaries

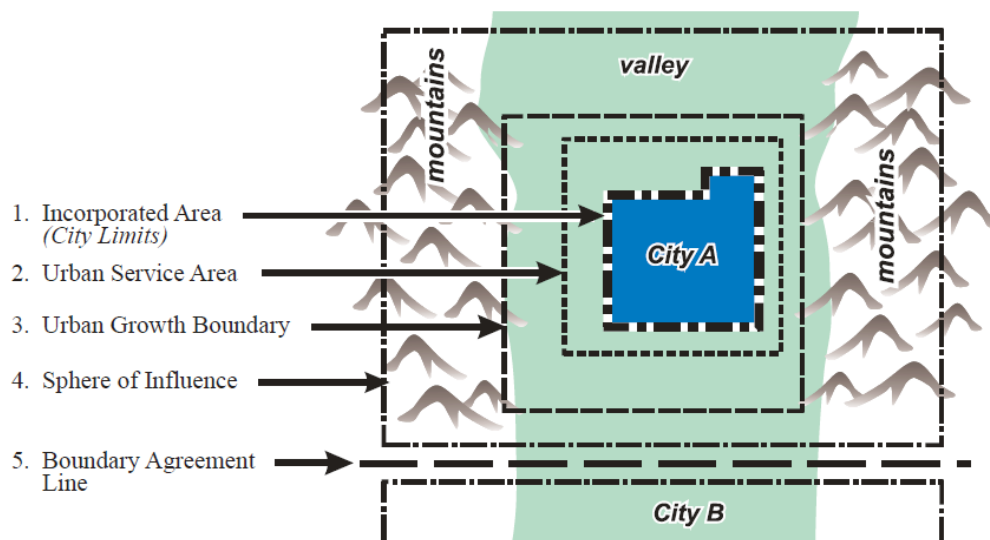
In addition to SOIs and USAs, some cities in Santa Clara County have also adopted Urban Growth Boundaries (UGBs). These are long-term growth boundaries that delineate areas intended for future urbanization. Because UGBs are adopted individually by cities and do not require County or LAFCO approval, cities define and utilize the UGBs differently.

Table 8 and Figure 8 provide a summary and visual description of the relationship between the different boundary lines that are utilized within Santa Clara County.

Table 8. Santa Clara County Boundary Terms

Term	Definition
Incorporated City—City Limits	Delineates lands currently within or annexed to a city
Urban Service Area (USA)	Delineates areas currently provided with urban services, facilities and utilities; or areas proposed to be annexed into a city within five years in order to be developed and provided with urban services.
Urban Growth Boundary (UGB)	Areas delineated by the city that are appropriate for and likely to be needed for urban purposes within a city-designated time frame
Sphere of Influence (SOI)	Defined by the California Government Code Section 56076 as a plan for the probable physical boundaries and service area of a local agency. In Santa Clara County, the SOI is an area where the County and a city may have shared interests in preserving non-urban levels of land use. Inclusion of an area in a city's SOI does not necessarily delineate areas that will be annexed to a city or provided with urban services.
Boundary Agreement Line	Delineates limits beyond which a city will not be allowed to annex territory

Figure 8. Hypothetical Relationships Among Boundaries within Santa Clara County



2.5.5 Urban Unincorporated Islands

The USAs of many cities contain urbanized unincorporated areas that are surrounded or substantially surrounded by city lands. These areas are referred to as urban unincorporated islands. These islands are a result of development that occurred in the County in the 1950s and 1960s (prior to the adoption of Countywide Urban Development Policies). During this time, urban development was often scattered and not necessarily required to be within cities. This resulted in some unincorporated areas being fully

developed. Likewise, as urban development and city annexations continued outward, some unincorporated areas were “leapfrogged” and left under County jurisdiction.

Historically, it has not been the role of the County government to provide urban services and infrastructure. As a result, the County has few mechanisms or resources for providing and maintaining urban infrastructure and services. The picture is further complicated by the inefficiencies of having to ensure that services are provided for many small, widely scattered areas that are surrounded or substantially surrounded by cities. Consequently, it is common that the residents of such areas generally receive lower levels of urban services than the surrounding city residents.

Specific services in some urban unincorporated islands are provided by special districts. Residents of these areas generally receive urban service levels for the specific services that are provided by the district. However, the districts do not provide a full range of services, and it is similarly inefficient to have multiple special districts providing one or two specific services to small scattered areas.

In other cases, residents of urban unincorporated islands may utilize city-provided services for which they pay no property taxes to the city. To minimize the complexities and inequities of urban service provision, the adopted policies of the County and LAFCO state that urban unincorporated islands should be annexed.

Since 2001, state law has provided an opportunity for cities to annex urban unincorporated islands through a streamlined process that does not require protest proceedings or elections, provided that the island meets specific criteria. In 2001, when the legislation was first passed, the changes applied to islands up to 75 acres. In 2004, the legislation was modified to include urban unincorporated islands that do not exceed 150 acres. In 2014, the streamlined process was made a permanent provision in the law and currently applies to unincorporated islands that do not exceed 150 acres as of January 1, 2014.

In order to encourage cities to actively pursue annexation of islands, LAFCO and the County have collaborated on an island annexation program and offered several incentives to the cities. Since 2005, LAFCO has waived its fees for processing island annexations. LAFCO staff has worked with several cities/interested communities to coordinate preparation of annexation maps/reports; and provide information and advice on annexation procedures. The County has covered annexation mapping costs including County Surveyor’s review/report costs, County Assessor’s review/report costs, paid state Board of Equalization filing fees, and agreed to prioritize funding road improvements in islands approved for annexation.

Since the start of this program, approximately 82 unincorporated islands, consisting of nearly 2,000 acres and containing over 18,000 people, have been annexed into their respective cities. However, many islands still remain. The existence of islands and current annexation efforts is discussed within each city’s section of this report.

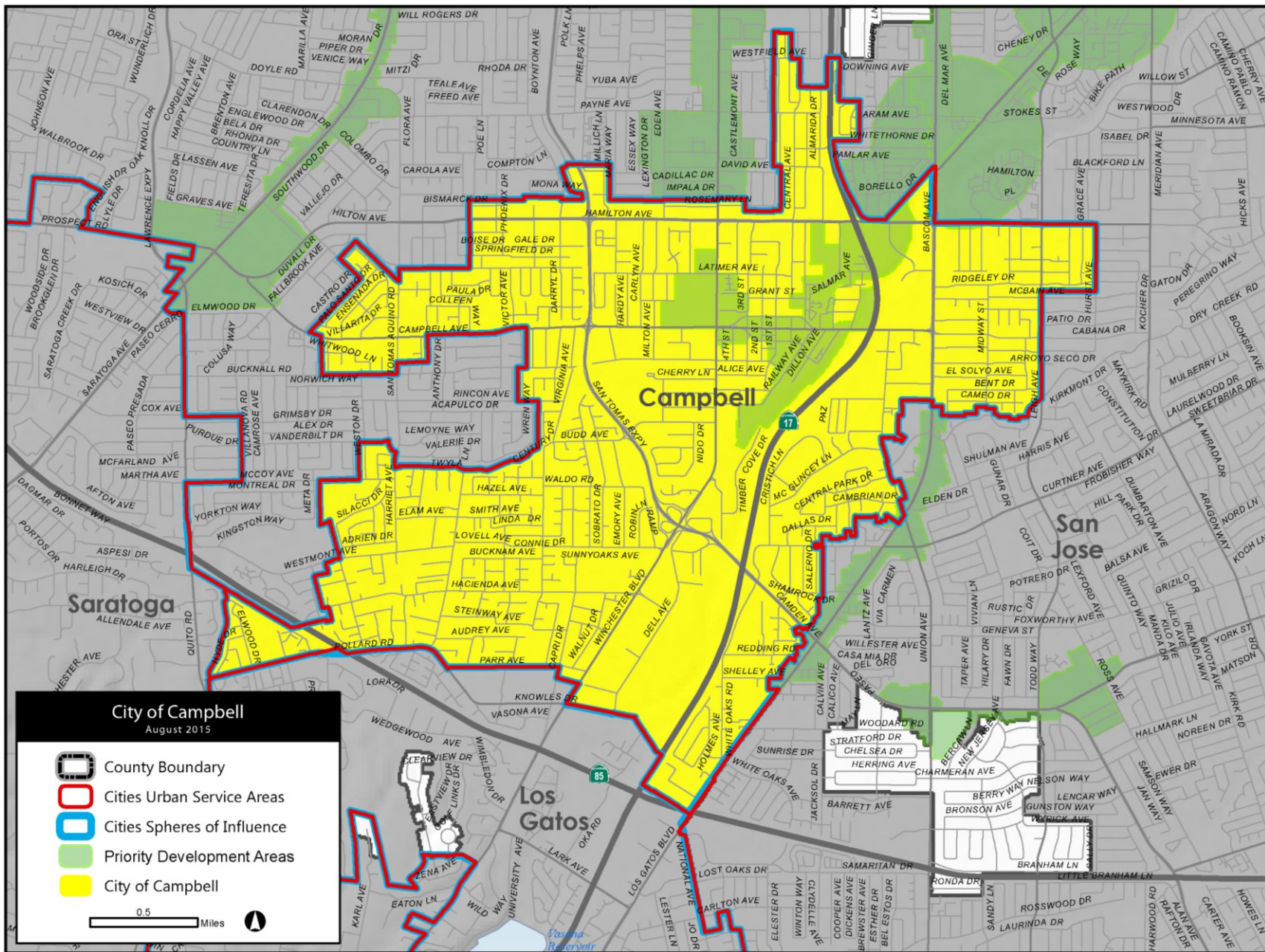
City Profiles

3 City of Campbell

3.1 Agency Overview

The City of Campbell was incorporated in March 1952. According to the California Department of Finance's (DOF) 2015 estimates, the population of Campbell is 41,857. As of 2015, the City's incorporated area spans 6.09 square miles. Surrounded by the cities of Saratoga, Monte Sereno, San Jose and the Town of Los Gatos, the City of Campbell has a mix of both residential and commercial land uses. Campbell is part of a group of five jurisdictions that comprise the West Valley cities along with the cities of Cupertino, Monte Sereno, Saratoga and the Town of Los Gatos. As of 2015, Campbell's USA and its SOI are contiguous and encompass 6.09 square miles. These boundaries can be seen in Figure 9.

Figure 9. City of Campbell Existing Boundaries



3.1.1 City Staffing

In FY 2014, total City staffing included 203.4 full-time equivalent (FTE) employees. As shown in Table 9, the greatest number of FTEs is assigned to the public safety function.

Table 9. City of Campbell Staffing in Top Four Functions

City Staffing by Major Service Function	FY 2014 FTEs
Public Safety	69.0
Public Works	50.5
General Government	21.7
Community Development	11.5

Source: CAFR

3.1.2 Form of Government

Campbell is a general law city that operates under a council-manager form of government. The City Council consists of five members who are elected at-large. Council members serve four-year terms and select a mayor and vice mayor annually.

3.1.3 Joint Powers Authorities

The City of Campbell is a member of four joint powers authorities (JPAs), as shown in Table 10.

Table 10. City of Campbell Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Santa Clara County Library District	Library services
Silicon Valley Animal Control Authority	Animal control services
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability
West Valley Solid Waste Management Authority	Collection, disposal, recycling and landfill diversion of solid waste

Source: City website and City staff interviews

3.1.4 Awards and Recognition

The City of Campbell has been the recipient of several awards between 2010 and 2015, as shown in Table 11.

Table 11. City of Campbell Recent Awards

Name of Award	Issuer	Year(s) Received
Growing Smarter Together Award for Public-Private Partnership	ABAG	2014
Excellence in Budgeting	California Society of Municipal Finance Officers	2014
Distinguished Budget Presentation Award	Government Finance Officers Association	2010-2014

Name of Award	Issuer	Year(s) Received
Certificate of Achievement for Excellence in Financial Reporting	Government Finance Officers Association	2011-2013

Source: City of Campbell staff

3.2 Growth and Population

3.2.1 Growth and Population Projections

State law requires the Association of Bay Area Governments (ABAG) to prepare a “Sustainable Communities Strategy” (SCS) that considers how the region will accommodate projected growth over a long period while also reducing the region’s generation of greenhouse gases (GHGs) consistent with state goals for GHG reduction. “Plan Bay Area” is this region’s SCS, adopted by ABAG and the Metropolitan Transportation Commission (MTC) in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in Priority Development Areas (PDAs). PDAs include infill areas within a city, usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO’s goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region’s population, housing and jobs growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG’s projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The City of Campbell uses the ABAG population projections for its long-term planning. ABAG’s projections for population, households (occupied housing units) and jobs are shown in Table 12.

Table 12. City of Campbell Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
Population	39,349	40,600	41,900	43,300	44,800	46,400	48,100
Total Jobs	27,320	29,410	31,690	32,400	33,120	34,110	35,170
Total Households	16,163	16,700	17,250	17,780	18,340	18,880	19,440

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

3.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 29,410 jobs within the community and 21,770 employed residents. Within Campbell, there are 1.35 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Campbell has 16,616 housing units; when combined with ABAG’s estimate of 29,410 jobs within the City, jobs and housing balance is 1.77.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan’s Housing Element, each Bay Area jurisdiction must then

demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 13 shows, the number of owner-occupied single family housing units in Campbell is only slightly greater than the number of renter-occupied multi-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the City of Campbell's assigned housing need is 933 units. In February 2015, Campbell adopted its 2015-2023 Housing Element, which demonstrates that it has sites and housing opportunities available to accommodate 1,161 units. This is 228 units more than its assigned regional share of 933 units. The City of Campbell's housing element was certified in June 2015 by the State of California's Housing and Community Development Department.

Table 13. City of Campbell Housing Profile

Housing Statistic	Number
Number of total existing housing units	16,616
Owner-occupied (SFR) housing units	8,339
Renter-occupied housing units	7,754
Regional Housing Need Allocation (RHNA) by income category	2014 to 2022
Above moderate	391
Moderate	151
Low	138
Very Low	253
Total	933

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

3.2.3 Planning and Building

In calendar year (CY) 2014, Campbell issued a total of 842 residential and commercial building permits. Total building permit valuation in CY 2014 is estimated at \$44,943,489.

The City's total assessed valuation for FY 2014 is approximately \$7.2 billion. This represents a 12% increase from FY 2009.

3.2.4 Priority Development Areas

The City has one priority development area. This area, known as the Central Redevelopment Area, is approximately 195 acres and is categorized as a future transit-oriented neighborhood. This PDA encompasses the City's historic downtown and its three Valley Transportation Authority (VTA) light rail stations. The PDA's boundary is contiguous with the former redevelopment area boundary, and the City's plans for the PDA are detailed in the Downtown Mater Plan, East Campbell Avenue Area Plan, Winchester Boulevard Master Plan and Civic Center Master Plan.

3.2.5 Planning for an Aging Population

The City of Campbell has a robust program featuring fitness, wellness, and educational and cultural activities for adults 50 years of age or older. The City has partnerships with nonprofit and County agencies that focus on serving seniors and link to those groups via classes and drop-in programming at the Senior Center. The City's Senior Center offers seniors a wide array of classes and access to social and health services. In particular, City staff noted that the lunch program is very successful and attracts seniors from

other cities. The Campbell City Manager serves on a countywide task force that explores the provision of services to older Americans. According to staff, the City Council has expressed an interest in identifying services for the baby boomer population beyond what is currently provided.

3.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

3.3.1 Planning Boundaries

The City of Campbell's USA, SOI and municipal boundaries are coterminous.

The City has no plans to amend its USA or SOI within the next five years. It is not currently providing services to the area outside of its city boundaries.

Campbell identified two areas where municipal boundary changes with San Jose may make sense. Staff identified two parks, Aquino Park and San Tomas Park, serving both cities where proximity to Campbell maintenance facilities would make it much easier for Campbell to maintain them. Campbell staff identified an area east of Highway 17 bounded by Tolworth Drive, Ravenscourt Avenue and Whitehall Avenue. The City felt that because of the separation of this area from the City by the freeway, this area could be potentially be better served by San Jose. Campbell also noted an area in San Jose to the west of Campbell bounded by Fenlan Drive, West Campbell Avenue, Abbey Lane, Wren Way, and the Los Gatos Creek that is surrounded by Campbell that could potentially be brought into Campbell. Campbell staff noted that as part of evaluating the cost of any changes to boundaries, it may be possible to consider trading off the costs of increased parks maintenance in exchange for San Jose providing park ranger assistance along Campbell's portion of the Los Gatos Trail that is affected by the homeless population. These ideas have been surfaced but not discussed in any detail with the City of San Jose, and would require discussion and negotiation (primarily regarding fiscal impacts) before serious consideration could be given to implementation.

3.3.2 Unincorporated Islands

No unincorporated islands exist within the City of Campbell's USA.

3.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the City of Campbell.

3.4 City Services

In Campbell, core municipal services are primarily delivered by City staff and JPAs. As noted earlier, Campbell is part of the West Valley cities group, which collaborates on many aspects of service delivery. Such collaboration is noted where applicable. The primary service provider for the major municipal services discussed in this report is summarized in Table 14.

Unless specifically noted, the City of Campbell did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 14. City of Campbell Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	JPA	Silicon Valley Animal Control Authority
Law Enforcement	City	
Library	JPA	Santa Clara County Library District
Parks and Recreation	City	
Planning/Building	City	
Solid Waste	JPA	West Valley Solid Waste Management Authority, which contracts with West Valley Collection and Recycling
Streets	City	
Stormwater	City	
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T, Comcast (State-Issued Franchise)
Wastewater	Special District	West Valley Sanitation District

Source: City website and City staff interviews

Due to the Great Recession, in the past five years the City stopped providing some services that were not serving critical needs (e.g., street maintenance activities such as repainting street light poles). Recently some of the backlog of street maintenance services that were put on hold have resumed, such as crack sealing and restriping. The City has not started providing any new municipal services in the past five years. Given the expected population growth for the City of Campbell, City staff does not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

3.4.1 Animal Control

The Silicon Valley Animal Control Authority is the service provider for animal control within the City of Campbell. In FY 2014 total City expenditures for this function were \$284,000. Service level statistics are included in Attachment A.

3.4.2 Law Enforcement

The City of Campbell provides law enforcement and dispatch services within the City limits. In total, there are 42 sworn law enforcement officers. During FY 2014, there were 14,826 calls for service. Police response time for 95% of Priority One calls was five minutes. The City has not provided a target response time for Priority One calls.

In FY 2014, total City expenditures on this function were \$13,457,383. Approximately 33.7% of the City's General Fund is dedicated to law enforcement.

In addition to normal law enforcement services, the City of Campbell provides a Special Weapons and Tactics (SWAT) team specialized services. Other specialized services, such as helicopter, bomb squad, dive team, crowd control, and crime scene investigation are not provided.

3.4.3 Library

The Santa Clara County Library District provides library services within the City of Campbell. There is one facility located within the City. Annual print circulation comes to 662,985 for print materials, and nearly 124,000 digital books are available for download to library patrons.

3.4.4 Lighting

Lighting within the City is provided and maintained by the City. Some existing streetlights have been switched to LED. A summary of lighting infrastructure is provided in Attachment A.

3.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. FY 2014 total expenditures for parks and recreation were \$7,190,382. The City has 12 parks and a total of 87 park acres. The City reports 2.1 park acres per 1,000 population, which falls below their goal of 3.0 park acres per 1,000 population.

The City operates one community center, one senior center, and one swimming pool. Campbell also partners with the City of Saratoga to provide some recreation programs. As discussed in section 3.3.1, a modification of Campbell and San Jose's boundaries may achieve greater service efficiency with regard to park maintenance and patrol.

3.4.6 Solid Waste

The City of Campbell is a member of the West Valley Solid Waste Management Authority JPA. The authority arranges and manages collection, disposal, recycling, and landfill diversion of solid waste originating in the cities of Campbell, Monte Sereno, Saratoga, and the Town of Los Gatos. Through the authority, solid waste services are contracted to a service provider (currently West Valley Collection and Recycling). In FY 2014, City expenditures for public solid waste services were \$774,500.

In CY 2013, Campbell disposed of 30,072 tons of solid waste. Campbell offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the City's amount of pounds of solid waste disposed per person per day was 4.1 for its general population, meeting the state's goal for the community of 5.2 pounds. The pounds of solid waste per person per day for employees in the community was 7.0, meeting the state's goal for the community of 8.3 pounds. No solid waste disposal facility is located within Campbell, but West Valley Collection and Recycling may use any of the nine landfill transfer stations located within Santa Clara County.

3.4.7 Streets

The City of Campbell maintains 227 lane miles, 96 center lane miles, and 85 sidewalk miles. The City expends approximately \$1.72 million annually on street-related expenditures. Street sweeping is provided by contract under a joint procurement with the Town of Los Gatos. The City did not indicate the number of street trees that it maintains. Tree maintenance is done through in-house staff with trimming work contracted.

The City's pavement condition index (PCI) is 74, which exceeds its PCI goal of 70.

3.4.8 Stormwater

The City's stormwater system is jointly managed and maintained by the City's Public Works Department and West Valley Sanitation. Given the new regulations coming into effect, City staff noted concerns about unfunded state mandates related to stormwater. The concerns are about future costs to address the City's aging stormwater system and related system maintenance that has been deferred.

Maintenance of the stormwater system is partially funded by a stormwater maintenance fee added to residents' wastewater bills.

In addition, the City of Campbell is part of the West Valley Clean Water Program (WVCWP). Along with Monte Sereno, Los Gatos and Saratoga, the City of Campbell helped create WVCWP to control discharge of polluted stormwater into local creeks and the San Francisco Bay. Campbell participates in the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP) along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common National Pollutant Discharge Elimination System (NPDES) permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information). The City reports that it is compliant with NPDES standards.

As part of WVCWP, West Valley cities, including Campbell, pay a fee to receive administrative guidance and implementation compliance with the regional NPDES requirements. Property owners within the West Valley Sanitation District, which includes Campbell, pay a surcharge to fund WVCWP. For residential properties, the fee is approximately \$20 per parcel. Fees for commercial properties vary depending on square footage. The fee is collected as part of the tax roll along with sewer service charges.

3.4.9 Utilities

Pacific Gas & Electric (PG&E) is the electricity and gas provider within Campbell. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the City of Campbell. The City did not indicate concerns about PG&E's ability to serve Campbell's existing population or its future demand for energy and natural gas.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Campbell are AT&T and Comcast. Campbell indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

3.4.10 Wastewater

The City of Campbell receives wastewater service from West Valley Sanitation District. The District has 158 miles of sewer within the City.

The District is responsible for all wastewater collection in Campbell's city limits. The District contracts with the San Jose-Santa Clara Regional Wastewater Facility for wastewater treatment and disposal. Sludge is treated and processed (converted to biosolids) and used as alternate daily cover for landfills. Recycled water is not available within the City.

3.5 Financial Information

The following section provides key financial data points related to Campbell's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Campbell's total citywide expenditures exceeded \$45.4 million. Approximately 80% (\$36.3 million) of these expenditures constituted General Fund expenditures.

3.5.1 Revenues and Expenditures

The City's primary source of revenue is sales tax. Sales tax revenue in Campbell in FY 2014 was significantly above pre-Great Recession levels. It increased by about \$3.5 million (36%). The City's

property tax revenue, which now includes the excess property tax increment previously collected by the City's former redevelopment agency that was dissolved by the state in 2012, has increased by \$1.3 million (15%) during the same period (see Table 15).

Table 15. City of Campbell Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Sales Tax	\$9,625,398	\$13,115,263
Property Tax	\$8,926,242	\$10,237,769
Utility Users Tax	N/A	N/A

Source: CAFR

A summary of the City's General Fund revenues and expenditures is shown in Table 16.

Table 16. City of Campbell Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$32,073,104	\$41,330,586
Total General Fund Expenditures	\$32,530,373	\$36,292,461
Top Four Sources of General Fund Revenues		
Sales and Use Tax	\$9,625,398	\$13,115,263
Property Taxes	\$8,926,242	\$10,237,769
Other Taxes	\$4,090,894	\$7,561,182
Charges for services	\$3,345,513	\$3,522,570
Top Four Sources of General Fund Expenditures		
Public Safety	\$18,280,783	\$20,199,197
General Government	\$4,005,190	\$5,173,835
Recreation	\$4,807,544	\$4,983,642
Public Works	\$3,833,027	\$4,176,238

Source: CAFR

3.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 17.

Table 17. City of Campbell Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$0	\$0
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.4%	0.3%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	2.5%	2.7%
Unfunded pension liability	\$2,332,797	\$19,292,423

Source: CAFR

3.5.3 Reserves

Campbell’s unassigned General Fund reserve levels have increased by just over \$1 million since FY 2009. In 2009 the City assigned all of its General Fund reserves for various uses such as economic fluctuations, capital improvements, emergencies, and other uses. In 2014, all but \$1.1 million was assigned to these types of uses (see Table 18).

Table 18. City of Campbell Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$0	\$1,104,285
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$6,271,000	\$6,000,000

Source: CAFR

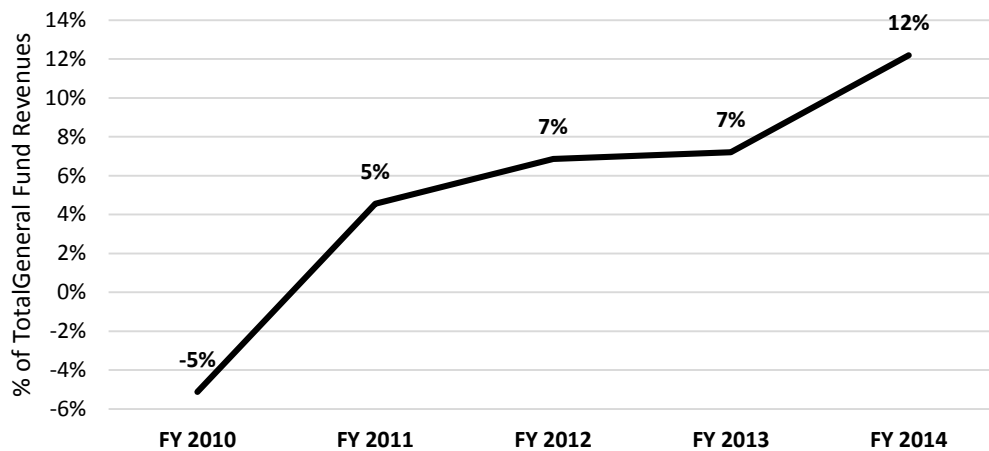
Not included in Table 18 are the City’s total discretionary General Fund reserves, which have increased from \$22.9 million in FY 2009 to \$25.4 million in FY 2014.

3.5.4 Financial Health Indicators

By applying a combination of industry best practices and select indicators from the League of California Cities’ Financial Health Diagnostic Tool, we are able to determine that the City of Campbell is in positive fiscal health. However, long-term fiscal sustainability is an issue being addressed by the City.

Over the past four years the City has reported annual operating surpluses in the General Fund. The trend of the City’s General Fund deficit/surplus is shown in Figure 10. The City’s General Fund operating surplus has increased by 17 percentage points since FY 2010; however those surpluses do not include transfers of nearly \$4 million annually to other funds for such things as debt service, capital project funding, and to reimburse other fund program expenditures.

Figure 10. City of Campbell Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

The City has budgeted an operating surplus in its General Fund for FY 2015, and has a five-year financial plan that provides for maintaining sufficient General Fund reserves during that period. Campbell has generally been conservative in its budget estimations, and actual performance typically exceeds budgeted forecasts.

Table 19 shows the City’s General Fund Fiscal Indicators. Not included in the City’s FY 2015 operational surplus/deficit are transfers from the General Fund of \$1.3 million to fund capital projects, which if recurring in nature, would impact the General Fund’s long-term fiscal health. The City’s liquidity ratio indicates the necessary cash to fund its liabilities. General Fund uncommitted reserves of 8.2% is below the Government Finance Officers Association recommended minimum reserve of 17% (or two months) of annual operating expenditures. However, the City has committed over \$10.1 million for economic fluctuations and emergencies that, if taken into account, would yield a reserve of 18.4%, above the Government Finance Officers Association (GFOA) recommended minimum reserve.

Table 19. City of Campbell General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	1.3%
FY 2014	Liquidity Ratio ¹	10.3
FY 2014	Fund Balance as percent of Expenditures ²	8.2%

Source: CAFR, City Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

Campbell indicated that in light of its long-range revenue projections, the City started to take a closer look at its service delivery models to determine whether they can achieve and maintain fiscal sustainability over the long term at current service levels in light of the need for infrastructure investment in streets, parks, stormwater systems, and City facilities in the coming years.

3.5.5 Financial Reporting

The City’s comprehensive annual financial report (CAFR) is prepared in a timely manner and audited by an independent certified public accountant (CPA) that issued an unqualified opinion on the CAFR (see Table 20).

Table 20. City of Campbell Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

3.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Campbell.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Campbell serves 41,857 residents within its 6.09 square mile incorporated area. ABAG projects that the City’s population will grow steadily by approximately 0.7% per year, leading to a population of 48,100 in 2040.

The City has no unincorporated islands.

The City has identified sufficient housing opportunities to meet its RHNA of 933 housing units between 2014 and 2022. The City is completely surrounded by other cities, so Campbell does not have the potential for growth beyond its existing USA. One PDA is planned within Campbell for infill development.

The City's most recent general plan was adopted in November 2001, but has updated various elements of the Plan over the years, including the Land Use and Transportation Element in 2014.

The City's existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within or contiguous to Campbell's SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCS WITHIN OR CONTIGUOUS TO THE SOI

City staff noted that, given new regulations coming into effect, the City is concerned about unfunded state mandates related to stormwater infrastructure maintenance. As a result of these regulations, the City anticipates future costs to address its aging stormwater system and related deferred maintenance.

The City of Campbell does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

The City's number of park acres per 1,000 population of 2.14 is currently below the goal of 3.0 it has established.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Campbell's General Fund has consistently operated at a surplus over the past four years after an operating deficit reported in FY 2010. The City has a five-year financial plan that maintains a healthy level of General Fund reserves. Campbell's General Fund reserves of 8.2% is below the minimum reserve threshold of two months of operating expenditures (8%) as recommended by the GFOA, however the City has committed over \$10.1 million for economic fluctuations and emergencies that, if taken into account, would yield a reserve of 18.4%, above the GFOA recommended minimum reserve. In addition, the City's liquidity ratio of 10:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

Campbell indicated that in light of its long-range revenue projections, the City started to take a closer look at its service delivery models to determine whether they can achieve and maintain fiscal sustainability over the long term at current service levels in light of the need for infrastructure investment in streets, parks, stormwater systems, and City facilities in the coming years. Nevertheless, the City of Campbell has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency's current capital improvement plans.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Campbell is engaged in service sharing agreements as identified in Table 21 below.

Table 21. Summary of Shared Services in the City of Campbell

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	JPA	SVACA
Library Services	JPA	SCCLD
Law Enforcement – Radio Communications	JPA	SVRIA
Public Works – Equipment	Joint Use Agreement	Shared between Los Gatos, Campbell and Cupertino
Recreation	Contract	LGSRD
Solid Waste	JPA	WVSWMA
Stormwater	MOU	SCVURPPP

Further opportunities to share services were identified in the area of parks maintenance for certain park areas that are owned by the City of San Jose, as indicated in section 21.3.1.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Campbell provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of Campbell promotes accountability for its community service needs.

The City identified opportunities during this service review to include two parks that are currently within San Jose’s municipal boundary, Aquino Park and San Tomas Park, where proximity to Campbell maintenance facilities would make it much easier for Campbell to maintain. It further identified an area, as more fully described in section 3.3.1 above, within San Jose’s municipal boundary that is fully surrounded by Campbell that could potentially be brought into Campbell that could be better served by Campbell.

3.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The City's existing SOI is coterminous with its boundary. The City of Campbell is bounded by the City of San Jose to the north, east and west; by the Town of Los Gatos to the south; and by the City of Saratoga to the southwest.

Since the existing Campbell SOI is coterminous with the City limits, fully bounded by other cities, and no further outward expansion is possible, it is recommended that LAFCO reaffirm the existing SOI for the City of Campbell.

The City identified opportunities during this service review to include two parks that are currently within San Jose's municipal boundary, Aquino Park and San Tomas Park, where proximity to Campbell maintenance facilities would make it much easier for Campbell to maintain. It further identified an isolated developed area (described in section 3.3.1 above) within San Jose's municipal boundary that is fully surrounded by Campbell that could potentially be brought into Campbell. These modifications would need to be considered at a later date pending discussions between the respective cities on those boundary modifications.

SOI DETERMINATIONS FOR THE CITY OF CAMPBELL

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Campbell's service review profile in this chapter, the following determinations are provided to update the City's existing SOI:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

The Campbell SOI is coterminous with the boundaries of the City. Planned land uses in the City are consistent with existing land uses.

2. The Present and Probable Need for Public Facilities and Services in the Area

The type of public services and facilities required within Campbell's SOI boundary is not expected to change, although the level of demand will increase slightly.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Campbell is still in the process of addressing the impacts that state mandates will have related to stormwater infrastructure maintenance on budgetary and operational resources, as indicated in the City's service review determination #3 above.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

All communities of interest within the USA and City limit are included within the SOI.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

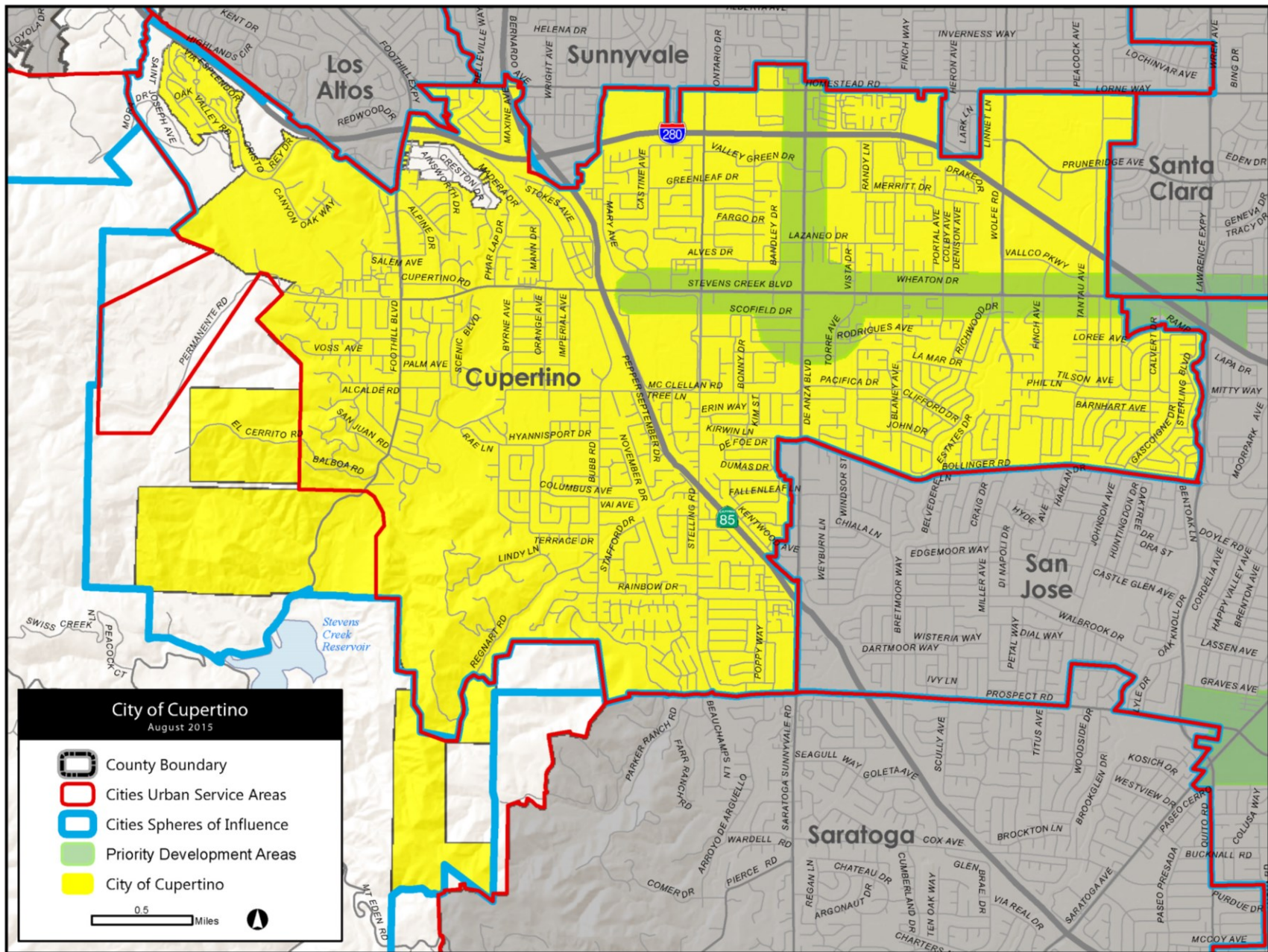
4 City of Cupertino



4.1 Agency Overview

The City of Cupertino was incorporated in October 1955. According to the DOF 2015 estimates, the population of Cupertino is 59,796. As of 2015, the City's incorporated area spans 11.32 square miles. Bordered by the cities of Santa Clara, Saratoga, and Sunnyvale, the City of Cupertino has a mixture of residential, retail and commercial land uses. Cupertino is home to De Anza Community College, and is part of a group of five jurisdictions that comprise the West Valley cities along with the cities of Campbell, Monte Sereno, Saratoga and the Town of Los Gatos. As of 2015, Cupertino's USA spans 10.93 square miles, and its SOI encompasses 12.58 square miles. These boundaries can be seen in Figure 11.

Figure 11. City of Cupertino Existing Boundaries



4.1.1 City Staffing

In FY 2014, total City staffing included 164.8 FTE employees. As shown in Table 22, the greatest number of FTEs is assigned to the public works function. As discussed in section 4.4 of this document, Cupertino uses contracts to provide a number of services (e.g., law enforcement and animal control) or is served by special districts or other agencies with their own revenue sources (e.g., wastewater treatment).

Table 22. *City of Cupertino Staffing in Top Four Functions*

City Staffing by Major Service Function	FY 2014 FTEs
Public Works	74.1
Parks and Recreation	31.5
Community Development	24.8
Administrative Services	11.0

Source: CAFR

4.1.2 Form of Government

Cupertino is a general law city that operates under a council-manager form of government. The City Council consists of five members who are elected at-large. Council members serve four year terms and select a mayor and vice mayor annually.

4.1.3 Joint Powers Authorities

The City of Cupertino is a member of two JPAs, as shown in Table 23.

Table 23. *City of Cupertino Joint Powers Authorities by Major Service Function*

Name of JPA	Major Service Function
Santa Clara County Library District	Library services
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability

Source: City website and City staff interviews

4.1.4 Awards and Recognition

The City of Cupertino has been the recipient of several awards between 2010 and 2015, as shown in Table 24.

Table 24. *City of Cupertino Recent Awards*

Name of Award	Issuer	Year(s) Received
Certificate of Achievement for Excellence in Financial Reporting	Government Finance Officers Association (GFOA)	2010-2014
Operating Budget Excellence Award	California Society of Municipal Finance Officers (CSMFO)	2011-2014
Distinguished Transportation Award –Mary Avenue Bicycle Footbridge Project	California Transportation Foundation	2010

Name of Award	Issuer	Year(s) Received
Site Design Award - Stevens Creek Corridor Phase I	Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPP)	2010
Project of the Year – Stevens Creek Corridor Park and Creek Restoration	American Society of Civic Engineers	2010
Outstanding Park and Recreation Project – Stevens Creek Corridor Phase I	American Society of Civil Engineers	2011
Bicycle Friendly Community Award	The League of American Bicyclists	2011
Excellence in Structural Engineering Award - Mary Avenue Bicycle Footbridge	Structural Engineers Association of California	2011
Engineering Excellence Merit Award – Stevens Creek Corridor Park and Restoration Phase I project	American Council of Engineering Companies of California	2012
Certificate of Achievement for Distinguished Budget Presentation	Government Finance Officers Association (GFOA)	2014
Tree City USA Growth Award	Arbor Day Foundation	2014
Award of Excellence - Recreation Programming	California Park and Recreation Society Awards	2014
Project of the Year in the Environment/Parks - \$5-\$25M category	The American Public Works Association – Silicon Valley Chapter	2014
Turning Red Tape into Red Carpet – Sustainable Green Development	Silicon Valley Leadership Group	2014
Award of Excellence - Facility Design – Stevens Creek Corridor Park and Restoration Phase 2	California Park and Recreation Society	2015
National Cultural Diversity Award – Cupertino Block Leaders	National League of Cities	2015

Source: City of Cupertino staff

4.2 Growth and Population

4.2.1 Growth and Population Projections

State law requires ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region’s generation of GHGs consistent with state goals for GHG reduction. “Plan Bay Area” is this region’s SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city, usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO’s goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region’s population, housing and jobs growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG’s projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The City of Cupertino uses the ABAG population projections for its long-term planning. ABAG’s projections for population, households (occupied housing units) and jobs are shown in Table 25.

Table 25. City of Cupertino Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
Population	58,302	60,200	62,100	64,100	66,300	68,700	71,200
Total Jobs	26,090	27,950	29,960	30,580	31,220	32,150	33,110
Total Households	20,181	20,810	21,460	22,080	22,750	23,380	24,040

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

4.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 27,950 jobs within the community and 25,890 employed residents. Within Cupertino, there are 1.08 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Cupertino has 20,494 housing units; when combined with ABAG’s estimate of 27,950 jobs within the City, jobs and housing balance is 1.36.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan’s Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 26 shows, the majority of housing units in Cupertino are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the City of Cupertino’s assigned housing need is 1,064 units. In May 2015 Cupertino adopted its 2014-2022 Housing Element in which it identified priority housing opportunity sites that can accommodate up to 1,400 units at a density of 20 units per acre or more. A zoned density of 20 units or more per acre is assumed by ABAG to allow for multi-family housing that can meet the needs of very low-, low- and moderate-income households. These priority sites can alone accommodate 336 units more than Cupertino’s assigned regional share of 1,064 units. The City of Cupertino’s housing element was certified by the State of California’s Housing and Community Development Department in May 2015.

Table 26. City of Cupertino Housing Profile

Housing Statistic	Number
Number of total existing housing units	20,494
Owner-occupied (SFR) housing units	13,055
Renter-occupied housing units	7,439
RHNA by income category	2014 to 2022
Above moderate	270
Moderate	231
Low	207
Very Low	356
Total	1,064

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

4.2.3 Planning and Building

In calendar year (CY) 2014, Cupertino issued a total of 2,124 residential and commercial building permits. Total building permit valuation is estimated at \$664,320,814.

The City's total assessed valuation for FY 2014 is approximately \$16.2 billion. This represents a 23% increase from FY 2009.

4.2.4 Priority Development Areas

The City has one potential PDA (see section 22.1.4 for complete definition). This area is part of a Santa Clara VTA PDA. The PDA encompasses approximately 435 acres along Stevens Creek Boulevard and North De Anza Boulevard and is categorized as a future mixed-use corridor. According to City staff, this area is presently the densest portion of the City. The introduction of bus rapid transit or other enhanced transit service along this corridor will be a key element of this potential PDA.

4.2.5 Planning for an Aging Population

The City of Cupertino's efforts to plan for the needs of its aging population can be found in the City's 2015-2023 approved Housing Element, which asserts that the Cupertino Senior Center provides programs that support a healthy lifestyle for seniors through quality education, recreation, services, travel, socials, and volunteer opportunities. The City's 2015-2023 approved Housing Element also incorporates measures to facilitate the ability of seniors to age in place. The element incorporates measures to facilitate the ability of seniors to age in place.

4.3 Boundaries, Islands and Disadvantaged Unincorporated Communities

4.3.1 Planning Boundaries

The City's USA and municipal boundaries are nearly coterminous with the exception of five unincorporated islands along the City's western municipal boundary. These islands are discussed in section 4.3.2.

The City is considering how it can work with the City of San Jose to address property owned by County Roads and Airports along the Lawrence Expressway near Mitty Avenue that Cupertino believes it would be better able to maintain. This may require a minor adjustment to the City's USA. The City has no other plans to amend its USA or SOI within the next five years. It is not currently providing services to the area outside of its city boundaries.

4.3.2 Unincorporated Islands

Five unincorporated islands exist within the City of Cupertino's USA. Located primarily in the western and northwestern portions of the City, these islands total approximately 513.3 acres. Cupertino's two largest islands, CP01 (189.1 acres) and CP03 (267.7 acres) are located along the foothills of the Santa Cruz Mountains and include both open space and low density residential uses. According to analysis conducted by LAFCO in 2011, one of the five islands, known as CP02 or Creston, may be eligible for streamlined annexation. Creston is a primarily residential private development. The other two islands, CP04 (3.8 acres) and CP05 (1.4 acres) may also qualify for streamlined annexation according to the 2011 analysis. According to staff, parcels are annexed as applications for development are submitted. However, there has not been a collective effort to annex the remaining islands within Cupertino's USA.

Maps of each city's unincorporated islands are included in Attachment B.

4.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the City of Cupertino.

4.4 City Services

In Cupertino core municipal services are delivered by a combination of City staff, JPAs and contract service providers. As noted earlier, Cupertino is part of the West Valley cities group, which collaborates on many aspects of service delivery. Such collaboration is noted where applicable. The primary service provider for the major municipal services discussed in this report is summarized in Table 27.

Unless specifically noted, the City of Cupertino did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 27. City of Cupertino Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	Contract	City of San Jose Animal Care and Services Department
Law Enforcement	Contract	Santa Clara County Sheriff's Office
Library	JPA	Santa Clara County Library District
Parks and Recreation	City	
Planning/Building	City	
Solid Waste	Franchise Agreement	Recology South Bay
Streets	City	
Stormwater	City	
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-Speed Internet	Franchise Agreement	AT&T, Comcast (State-Issued Franchise)
Wastewater Collection	Contract Special District	City of Sunnyvale Cupertino Sanitary District

Source: City website and City staff interviews

In the past five years the City has not stopped or started providing any municipal services. Given the expected population growth for the City of Cupertino, City staff does not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

4.4.1 Animal Control

The City of San Jose is the contract service provider for animal control within the City of Cupertino. In FY 2014 total City expenditures for this function were \$202,364. Service level statistics are included in Attachment A.

4.4.2 Law Enforcement

The Santa Clara County Sheriff's Office is the contract service provider for law enforcement and dispatch services within the City of Cupertino. The County operates the West Valley Division Substation located in Cupertino, which maintains regular business hours of operation and has 87 personnel assigned to the division. During FY 2014, there were 38,850 calls for service. The Sheriff's response time for Priority One calls averaged 4 minutes and 30 seconds. The City's goal for response time for Priority One calls is 5 minutes.

In FY 2014, total City expenditures on this function were \$10,062,192. Approximately 23% of the City's General Fund is dedicated to law enforcement.

Through its contract with the County, the City of Cupertino has access to many shared specialized resources. These include a SWAT team, helicopter, bomb squad, dive team, crowd control, and crime scene investigation.

4.4.3 Library

The Santa Clara County Library District provides library services within the City of Cupertino. There is one facility located within the City. Annual print circulation exceeds 2.5 million, and over 123,000 digital books are available for download to library patrons.

4.4.4 Lighting

Street lighting within the City is provided and maintained by the City, except for a small number of streetlights still owned and operated by PG&E. Traffic signals within the City are provided and maintained by the City. In total, there are 56 signalized intersections within the City; eight of these are state-owned, but maintained by the City. A summary of lighting infrastructure is provided in Attachment A.

4.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. In FY 2014 total expenditures for parks and recreation were \$ 4,536,519. The City has 21 parks and approximately 165 acres of public parks and open space areas. The City's park system is supplemented by a network of over 220 miles of local and

regional interconnected trails. In addition, there are many acres of open space preserves surrounding the City that are operated and maintained through public access agreements with Midpeninsula Open Space District, Santa Clara County Parks, and Santa Clara Valley Water District. The City reports 3.12 park acres per 1,000 population, exceeding its goal of 3.0 parks per 1,000 population.

The City operates one community center, one senior center, one teen center, a sports center, Blackberry Farm swim and picnic complex, Blackberry Farm golf course, and an environmental/nature preserve. As part of the Cupertino Union School District/City of Cupertino MOU, the City issues field use permits for 10 sports fields located on school grounds.

4.4.6 Solid Waste

The City of Cupertino receives solid waste services through a franchise agreement with Recology South Bay. In FY 2014, City expenditures for landfill use was \$1,537,334.

In FY 2014, Cupertino disposed of 37,040 tons of solid waste, including construction debris. Cupertino offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the City's amount of pounds of solid waste disposed per person per day was 3.3 for its general population, meeting the state's goal for the community of 4.3 pounds. The pounds of solid waste per person per day for employees in the community was 5.5, meeting the state's goal for the community of 8.1 pounds.

4.4.7 Streets

The City of Cupertino maintains 300 lane miles, 142 center lane miles and approximately 100 sidewalk miles. The City has recently expended approximately \$8.5 million annually on street-related expenditures. Street sweeping is provided by contract. The City maintains approximately 14,000 street trees. In 2013 the City released a smartphone app named "Trees 95014" that provides detailed information about trees planted by the City. Each tree has a QR code tag embedded with species, maintenance, and other specific details about the tree.

The City's pavement condition index (PCI) is 66, which falls below its PCI goal of 80.

4.4.8 Stormwater

The City's stormwater system is managed and maintained by the City's Public Works Department and makes ongoing repair and improvements to the system on an annual basis. The City is considering an update to the Storm Drain Master Plan to include new state mandated regulations.

Cupertino participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information). The City reports that it is compliant with NPDES standards.

4.4.9 Utilities

PG&E is the electricity and gas provider within Cupertino. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the City of Cupertino. The City did not indicate concerns about PG&E's ability to serve Cupertino's existing population or its future demand for energy and natural gas. City staff noted that Cupertino is partnering with Sunnyvale, Mountain View, Monte Sereno and unincorporated areas of the County to discuss the possibility of becoming a Community Choice Aggregation (CCA) under the provisions of AB 118 to allow them to pool electricity demand of their residential, business and municipal accounts to purchase or develop power on their behalf.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Cupertino are AT&T and Comcast. Cupertino indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

4.4.10 Wastewater

The City of Cupertino does not provide wastewater service. The City is served by two sanitary districts: The City of Sunnyvale and Cupertino Sanitary District. Together, the agencies have approximately 190 miles of sewer within the City. The City reports 1.7 gallons of annual sewer overflow per 100 miles of pipe in 2014.

Cupertino does not operate a wastewater treatment plant. Treatment is handled by the San Jose-Santa Clara Regional Wastewater Facility and the City of Sunnyvale. Sludge is treated and processed (converted to biosolids) and used as alternate daily cover for landfills. Recycled water is not available within the City. It is anticipated that a recycled water pipeline will be constructed within the City in the near future.

4.5 Financial Information

The following section provides key financial data points related to Cupertino's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Cupertino's total citywide expenditures exceeded \$57.2 million. Approximately 73% (\$41.5 million) of these expenditures constituted General Fund expenditures.

4.5.1 Revenues and Expenditures

The City's primary source of revenue is sales tax. Since FY 2009, sales tax revenue has increased by about \$5.7 million (40%) above pre-Great Recession levels. Property tax revenues, which now include the excess property tax increment previously collected by the City's former redevelopment agency that was dissolved by the state in 2012, have increased by \$1.7 million (22%) during the same period (see Table 28).

Table 28. City of Cupertino Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Sales Tax	\$14,139,190	\$19,794,036
Property Tax	\$7,491,965	\$9,168,183
Utility Users Tax	\$3,205,073	\$3,098,639

Source: CAFR

A summary of the City's General Fund revenues and expenditures is shown in Table 29.

Table 29. City of Cupertino Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$41,292,940	\$73,999,513
Total General Fund Expenditures	\$32,276,491	\$41,509,191
Top Four Sources of General Fund Revenues		
Taxes	\$34,861,876	\$55,090,481
Charges for services	\$1,265,509	\$12,975,029

	FY 2009	FY 2014
Licenses and permits	\$2,740,463	\$3,679,943
Use of money and property	\$1,163,492	\$690,484
Top Four Sources of General Fund Expenditures		
Public works	\$10,687,626	\$12,485,925
Law enforcement	\$8,133,168	\$9,626,121
Community Development	\$3,209,030	\$7,870,610
Administration (including Administrative Services)	\$4,970,964	\$6,402,409

Source: CAFR

4.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 30.

Table 30. City of Cupertino Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$0	\$0
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.4%	0.3%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	2.7%	2.9%
Unfunded pension liability	\$9,084,223	\$20,375,318

Source: CAFR

4.5.3 Reserves

Cupertino's unassigned General Fund reserve levels have increased significantly since FY 2009. The reserve levels have increased by \$19.5 million (301%). Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the City (see Table 31).

Table 31. City of Cupertino Reserves

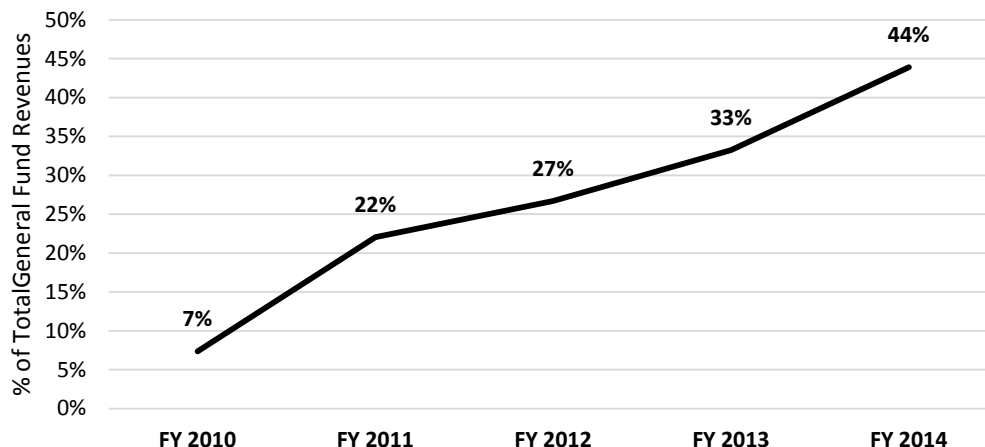
Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$6,456,574	\$25,917,331
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$13,415,000	\$15,900,000

Source: CAFR

4.5.4 Financial Health Indicators

By applying a combination of industry best practices and select indicators from the League of California Cities' Financial Health Diagnostic Tool, we are able to determine that the City of Cupertino is in positive fiscal health.

Over the past five years the City has accumulated annual surpluses in the General Fund. The City's General Fund surplus has increased by 37 percentage points since FY 2010, an indicator of positive fiscal health. The trend of the City's General Fund deficit/surplus is shown in Figure 12.

Figure 12. City of Cupertino Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014

Source: CAFR

The City budgeted a surplus before transfers of \$10.1 million in its General Fund for FY 2015. In FY 2015 Cupertino changed its reserve policies for the General Fund. Starting in FY 2015, the City will transfer any unassigned fund balance above a \$400,000 maximum reserve from the General Fund to the Capital Reserve Fund. The City is projecting an ending fund balance in its total Capital Project Funds of \$17.6 million.

Table 32 shows the City's General Fund Fiscal Indicators. Not included in the City's FY 2015 operational surplus/deficit are transfers from the General Fund of \$5.0 million to fund capital projects, which if recurring in nature, would impact the General Fund's long-term fiscal health. Cupertino's liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 62.6% as of FY 2014 greatly exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 32. City of Cupertino General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	11.7%
FY 2014	Liquidity Ratio ¹	4.1
FY 2014	Fund Balance as percent of Expenditures ²	62.6%

Source: CAFR, City Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

4.5.5 Financial Reporting

The City's CAFR is prepared in a timely manner and audited by an independent CPA. See Table 33.

Table 33. City of Cupertino Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

4.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Cupertino.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Cupertino serves 59,796 residents within its 11.32 square mile incorporated area. ABAG projects that the City's population will grow steadily by approximately 0.7% per year, leading to a population of 71,200 in 2040.

The City has five unincorporated islands that comprise approximately 513.3 acres. Because they are smaller than 150 acres, three of these islands may be eligible for streamlined annexation.

The City has identified sufficient housing opportunities to meet its RHNA of 1,064 housing units between 2014 and 2022. The City does not anticipate that growth patterns will expand beyond Cupertino's existing USA. One potential PDA exists within Cupertino for infill development.

The City's most recent general plan was adopted in December 2014.

The City's existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within or contiguous to Cupertino's SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCS WITHIN OR CONTIGUOUS TO THE SOI

The City of Cupertino does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

The City's Pavement Condition Index of 66 in 2014 is currently below the goal index of 80 that it has established.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Cupertino's General Fund has consistently operated at a surplus over the past five years, and the City has a five-year financial plan that maintains a healthy level of General Fund reserves. Cupertino's General Fund reserves of 62.6% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City's ability to meet future service needs in the event of an economic downturn. In addition, the City's liquidity ratio of 4:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of Cupertino has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency's capital improvement plans.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Cupertino is engaged in service sharing agreements as identified in Table 34 below.

Table 34. Summary of Shared Services in the City of Cupertino

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	Contract	City of San Jose
Law Enforcement – Operations	Contract	SCC Sheriff's Office
Law Enforcement – Radio Communications	JPA	SVRIA
Library Services	JPA	SCCLD
Public Works - Equipment	Joint Use Agreement	Shared between Cupertino, Campbell and Los Gatos
Stormwater	MOU	SCVURPPP
Wastewater Treatment	Contract	San Jose-Santa Clara Regional Wastewater Facility

Further opportunities to share services were identified in the area of recreation services, where some services overlap with the Santa Clara County Library District and the Rancho Rinconada Recreation and Park District.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Cupertino provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans. The City has expressed interest in consolidating recreation services with the Rancho Rinconada Recreation District.

Through the publication of these documents, the City of Cupertino promotes accountability for its community service needs.

4.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The City's existing SOI is coterminous with its City limits to the north, east, and southeast. The City's existing SOI boundary also extends beyond the City's USA to the west and includes lands that are largely undeveloped and designated as either parks, open space, and/or hillsides. The City of Cupertino is bounded by the Cities of Sunnyvale and Los Altos to the north, the Cities of San Jose and Santa Clara to the east, the City of Saratoga to the south, and unincorporated lands to the west.

It is recommended that LAFCO reaffirm the City of Cupertino's existing SOI boundary because the City's SOI boundary serves multiple purposes including serving as:

- A long range planning tool to help LAFCO evaluate USA boundary changes and annexation requests.
- Areas that will not necessarily be annexed to the City or will not necessarily receive services from Cupertino, but are areas in which the County and Cupertino may have shared interests in preserving non-urban levels of land use. Specific examples include the foothills and ridgelines located west of the City. Furthermore, both the City and the County share a mutual interest in protecting view sheds and natural resources.
- Areas where the City and the County have significant interaction.
- Areas that contain social and economic communities of interest to the City, such as areas within the City's jurisdictional boundaries.

In making this recommendation, it should be made clear that inclusion of an area within the City's SOI boundary should not necessarily be seen as an indication that the City will or should either annex or allow urban development and services in the area. The City's USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether the areas will be annexed and provided urban services.

Finally, the City identified one opportunity during this service review to incorporate a parcel of public right-of-way along the Lawrence Expressway near Mitty Avenue within the jurisdiction of San Jose that Cupertino believe it might be best suited to maintain. This minor modification would need to be considered at a later date pending discussions between the respective cities on those boundary modifications.

SOI DETERMINATIONS FOR THE CITY OF CUPERTINO

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Cupertino's service review profile in this chapter, the following determinations are provided to update the City's existing SOI:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

A variety of urban uses are planned within Cupertino's USA boundary. The County's and City's general plans call for the continuation of non-urban uses beyond the City's USA boundary.

2. The Present and Probable Need for Public Facilities and Services in the Area

The type of public services and facilities required within Cupertino's SOI boundary is not expected to change, although the level of demand will increase slightly.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There exist social and economic conditions that cause interaction and interdependence between the City and the areas within its SOI boundary.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

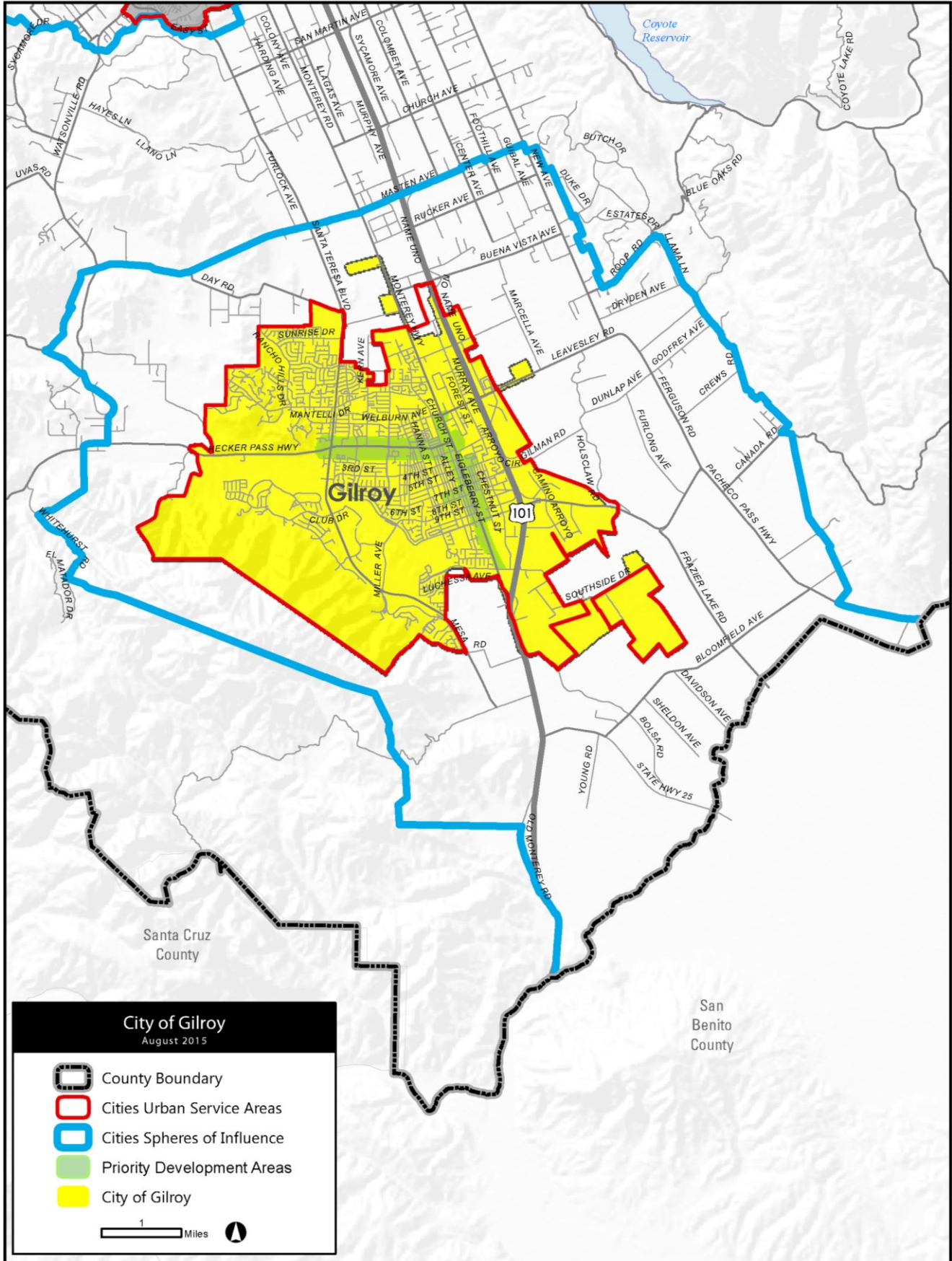
5 City of Gilroy



5.1 Agency Overview

The City of Gilroy was incorporated in March 1870. According to the California DOF 2015 estimates, the population of Gilroy is 53,000. As of 2015, the City's incorporated area spans 16.56 square miles. As of 2015, Gilroy's USA spans 16.24 square miles, and its SOI encompasses 57.51 square miles. These boundaries can be seen in Figure 13.

Figure 13. City of Gilroy Existing Boundaries



5.1.1 City Staffing

In FY 2014, total City staffing included 245 FTE employees. As shown in Table 35, the greatest number of FTEs is assigned to the police function.

Table 35. City of Gilroy Staffing in Top Four Functions

City Staffing by Major Service Function	FY 2014 FTEs
Police	86.0
Fire	41.0
Public Works	36.0
Community Development	20.0

Source: CAFR

5.1.2 Form of Government

Gilroy is a charter city that operates under a council-manager form of government. The City Council consists of seven members who are elected at large. Council members serve four-year terms. The Mayor is also elected at large, and appoints a Mayor pro-temp annually.

5.1.3 Joint Powers Authorities

The City of Gilroy is a member of four JPAs, as shown in Table 36.

Table 36. City of Gilroy Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Santa Clara County Library District	Library services
Santa Clara Valley Habitat Agency	Implement requirements of Habitat Plan and permitting
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability
South County Regional Wastewater Authority	Wastewater treatment management

Source: City website and City staff interviews

5.1.4 Awards and Recognition

The City of Gilroy has been the recipient of several awards between 2010 and 2015, as shown in Table 37.

Table 37. City of Gilroy Recent Awards

Name of Award	Issuer	Year(s) Received
Tree City USA	Arbor Day Foundation	1979-2015
Low Interest Energy Savings Loan for LED Lighting	California Energy Commission	2014
Lions Creek Trail Bridge Project	Santa Clara County	2012
Overall Plant of the Year	California Water Environment Association (CWEA), Monterey Bay Section	2014
Gimmicks and Gadgets Award	CWEA, Monterey Bay Section	2014
Plant Safety Award	CWEA, Monterey County Region	2007—2015

Source: City of Gilroy staff

5.2 Growth and Population

5.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region's population, housing, and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG's projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The City of Gilroy uses the DOF population numbers for current population estimates. ABAG's projections for population, households (occupied housing units) and jobs are shown in Table 38.

Table 38. City of Gilroy Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
Population	48,821	50,700	52,800	55,100	57,000	59,000	61,400
Total Jobs	17,650	18,790	20,020	20,400	20,780	21,370	21,960
Total Households	14,175	14,650	15,200	15,740	16,160	16,560	17,050

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

The City indicated that ABAG's population projections for 2015 are significantly lower than the City's actual population and ABAG's projections for population growth are also low. In 2015, DOF estimated the population of Gilroy to be 53,000. The City is currently updating its general plan and has used the DOF population estimates, the City's own estimates, and the City's consultants estimates, as the basis for future projections in the general plan. The "Gilroy General Plan Alternatives Report" released in April 2015 projected a range of growth for Gilroy from 69,000 to 79,000 by 2040.

5.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 18,790 jobs within the community and 22,310 employed residents. The City estimates that ABAG figures for jobs and employed residents are significantly lower than what is actually the case, noting that the American Community Survey came up with higher numbers (though these numbers include some jobs outside the City boundary). Within Gilroy, there are approximately 0.84 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that CITY has 15,024 housing units; when combined with ABAG's estimate of 18,790 jobs within the City, jobs and housing balance is 1.25.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 39 shows, the slight majority (57%) of housing units in Gilroy are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the City of Gilroy's assigned housing need is 1,088 units. In December 2014, Gilroy adopted its 2015-2023 Housing Element and demonstrated it has sites and housing opportunities available to accommodate 4,525 units, which is 3,451 units in excess of its assigned regional share of 1,088 units. The City of Gilroy's housing element was certified by the State of California's Housing and Community Development Department in December 2014.

Table 39. City of Gilroy Housing Profile

Housing Statistic	Number
Number of total existing housing units	15,024
Owner-occupied (SFR) housing units	8,637
Renter-occupied housing units	5,897
RHNA by income category	2014 to 2022
Above moderate	475
Moderate	217
Low	160
Very Low	236
Total	1,088

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

5.2.3 Planning and Building

In calendar year (CY) 2014, Gilroy issued a total of 1,994 residential and commercial building permits. Total building permit valuation is estimated at \$168,150,584.

The City's total assessed valuation for FY 2014 is approximately \$6.2 billion. This represents a 9.1% decrease from FY 2009.

5.2.4 Priority Development Areas

The City has one PDA and one potential PDA (see section 22.1.4 for complete definition). The PDA for Downtown Gilroy encompasses 207 net acres and is designated as a transit town center. The Downtown Specific Plan Area adopted in 2005 covers the PDA. The Downtown Specific Plan Update initiated as part of the High Speed Rail Station Area Master Plan effort will expand the boundaries of the Downtown Specific Plan and may result in future expansion of the Downtown PDA. The infill development within the Downtown PDA is expected to have lower air quality impacts than development in the periphery of the city.

The City is also included in the VTA's potential PDA for a future mixed use corridor along First Street between east of Monterey Road. If pursued, this potential PDA would encompass 215 net acres and connect to the current Downtown PDA. Planning for this corridor is addressed in the City's general plan.

5.2.5 Planning for an Aging Population

Within Gilroy, there are two senior living facilities. Village Green is a private development that has standalone age-restricted dwellings, apartments, and assisted living for seniors in the Gilroy community. Village Green offers its residents access to a continuum of care. Wheeler Manor is an age- and income-

restricted senior residential facility, and it offers a variety of on-site services. An adult day care service is also offered on-site.

Another affordable senior-only facility is currently proposed on Monterey Street, south of downtown.

5.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

5.3.1 Planning Boundaries

The City's USA and municipal boundaries are nearly contiguous with the exception of four small unincorporated areas. These islands are discussed in section 5.3.2. The City has previously applied to modify its USA, including a proposal for a new sports park on its southeast side. The City has also accepted and is processing a private application to bring 721 acres into its USA.

The existing general plan had already assumed significant growth outside the City's existing USA, but there have been no changes to its USA. A new general plan is currently being prepared and is expected to be adopted in 2016. Three land use scenarios presented in October 2014 included the current general plan, a plan that would establish additional land outside the USA as an "urban reserve," and a more compact alternative that would involve considerably less expansion of the USA. All of the alternatives would be expanding into land considered prime agricultural land. The City Council selected the preferred land use alternative in May 2015 and includes areas outside the current USA, some of which the City recommends to have an urban reserve designation.

5.3.2 Unincorporated Islands

Four unincorporated islands exist within the City of Gilroy's USA. GR01 is 76.5 acres and is located just inside the northern municipal boundary. GR02 is 12.5 acres and is located at Pacheco Pass Highway and Holsclaw Road along the City's eastern boundary. GR03 is 16.5 acres and is located along Luchessa Avenue near the City's southern boundary. GR04 is 1 acre and is located along the City's southern boundary at the end of Dawn Way. The City has reviewed those areas and declined to pursue their annexation.

Maps of each city's unincorporated islands are included in Attachment B.

5.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the City of Gilroy.

5.4 City Services

In Gilroy, core municipal services are mainly delivered by City staff. The primary service provider for the major municipal services discussed in this report is summarized in Table 40.

Unless specifically noted, the City of Gilroy did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 40. City of Gilroy Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	City	
Law Enforcement	City	
Library	JPA	Santa Clara County Library District
Parks and Recreation	City	
Planning/Building	City	
Solid Waste	Franchise Agreement	Recology South Valley
Streets	City	
Stormwater	City	
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T, Charter Communications (State-Issued Franchise)
Wastewater Collection	City	
Wastewater Treatment	JPA	South County Regional Wastewater Authority (SCRWA)

Source: City website and City Staff interviews

In the past five years the City has not stopped or started providing any municipal services. Given the expected population growth for Gilroy, City staff does not anticipate any difficulty providing municipal services to its community. A summary of key service level statistics is compiled as part of Attachment A to this report.

5.4.1 Animal Control

The City of Gilroy provides animal control services within the municipal boundary. In FY 2014 total City expenditures for this function were \$192,834.

5.4.2 Law Enforcement

The City of Gilroy provides its own law enforcement and dispatch services within the City. Gilroy has one police station and 60 sworn officers. During FY 2014, there were 58,112 calls for service. The City reports that the average response time for Priority One calls is 12 minutes 14 seconds. However, the average response time for the City's highest priority calls where there is reason to believe an immediate threat to life exists, known as their "Priority E" calls, averaged 6 minutes and 38 seconds. The City's goal for response time for these Priority E calls is 4 minutes and 30 seconds.

In FY 2014, total City expenditures for this function were \$18,002,020. Approximately 45.6% of the City's General Fund is dedicated to law enforcement.

Through an agreement with Morgan Hill, both Gilroy and Morgan Hill share SWAT and negotiation team services. Gilroy also provides a Hostage Negotiation Team, DEA Drug Task Force, REACT Task Force, and Santa Clara County Special Enforcement Team.

5.4.3 Library

The Santa Clara County Library District provides library services within the City of Gilroy. There is one facility located within the City. Annual print circulation is shown at 616,721, and 17,446 digital books are available for download to library patrons.

5.4.4 Lighting

Lighting within the City is provided and maintained by the City. A summary of lighting infrastructure is provided in Attachment A.

5.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. FY 2014 total expenditures for parks and recreation were \$2,542,701. The City has 16 parks and a total of 150 park acres. In addition, 533 acres of open space is owned by the City. The City reports 2.8 park acres per 1,000 population, which falls below their goal of 5.0 park acres per 1,000 population.

The City operates one community center, one senior center, one teen center, and one golf course. The City has an additional private golf course, and two high schools each operate one swimming pool.

5.4.6 Solid Waste

Gilroy has a franchise agreement with Recology South Valley to provide solid waste services. In CY 2013, Gilroy disposed of 46,681 tons of solid waste. Gilroy offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the City's amount of pounds of solid waste disposed per person per day was 4.5 for its general population, meeting the state's goal for the community of 6.2 pounds. The pounds of solid waste per person per day for employees in the community was 13.5, meeting the state's goal for the community of 16.1 pounds. No solid waste disposal facility is located within Gilroy.

5.4.7 Streets

The City of Gilroy maintains 257 lane miles, 166 center lane miles, and 265 sidewalk miles. The City expends approximately \$500,000 annually on street-related expenditures. Street sweeping is provided by contract with Recology. The City maintains a reported 14,969 street trees (including park trees). The City's pavement condition index (PCI) is 68, which falls below its PCI goal of 70.

5.4.8 Stormwater

The City's stormwater system is managed and maintained by the City's Public Works Department. An engineer has been recently hired by the City to perform mandated post-inspection work on the stormwater system. In addition, Gilroy is jointly funding a staff position with the City of Morgan Hill that is dedicated to monitoring their compliance to federal and state requirements for stormwater management. The City reports that it is compliant with NPDES standards.

5.4.9 Utilities

PG&E is the electricity and gas provider within Gilroy. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the City of Gilroy. The City did not indicate concerns about PG&E's ability to serve Gilroy's existing population or its future demand for energy and natural gas.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Gilroy are AT&T and Charter Communications. Gilroy indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

5.4.10 Wastewater

The City of Gilroy receives wastewater services through the South County Regional Wastewater Authority (SCRWA). There are 140 miles of sewer within the City.

SCRWA operates one wastewater treatment plant in Gilroy and shares capacity with Morgan Hill. OMI is the contract operator for the plant. The plant was rebuilt in 1995 and has capacity for 8.5 million gallons per day (MGD). Currently, the plant treats about 6 to 6.2 MGD to the tertiary standard. Replacement needs are anticipated and a replacement program is being developed. Sludge is turned into compost via a private company and subsequently sold. Recycled water is available within the City.

5.5 Financial Information

The following section provides key financial data points related to Gilroy's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Gilroy's total citywide expenditures exceeded \$77.1 million. Approximately 51% (\$39.5 million) of these expenditures constituted General Fund expenditures.

5.5.1 Revenues and Expenditures

The City's primary source of revenue is sales tax. Sales tax revenue in Gilroy in FY 2014 is significantly above pre-Great Recession levels. Since 2009, sales tax revenue has increased about \$2.8 million (24%). Property tax revenue decreased by about \$1.0 million (9%) since 2009, which represented the peak of Gilroy's property tax collections before the Great Recession eroded property values (see Table 41).

Table 41. City of Gilroy Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Sales Tax	\$11,650,355	\$14,423,130
Property Tax	\$10,729,750	\$9,728,458
Utility Users Tax	\$4,797,321	\$4,468,346

Source: CAFR

A summary of the City's General Fund revenues and expenditures is shown in Table 42.

Table 42. City of Gilroy Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$36,257,489	\$42,016,120
Total General Fund Expenditures	\$35,669,890	\$39,517,581
Top Four Sources of General Fund Revenues		
Taxes	\$29,882,437	\$31,575,572
Charges for Service	\$3,134,956	\$6,573,490
Licenses and permits	\$1,230,244	\$2,088,024
Miscellaneous	\$1,071,938	\$1,156,732
Top Four Sources of General Fund Expenditures		
Public Safety	\$25,621,443	\$25,779,583
Community Services	\$3,449,193	\$6,071,847
General Government	\$3,529,547	\$4,073,708
Community Development	\$3,069,707	\$3,592,443

Source: CAFR

5.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 43.

Table 43. City of Gilroy Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$53,200,000	\$77,370,000
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.8%	1.2%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	4.0%	4.9%
Unfunded pension liability	\$24,379,368	\$37,252,014

Source: CAFR

5.5.3 Reserves

Gilroy's unassigned General Fund reserve levels have decreased since FY 2009, however the City created an economic uncertainty reserve fund of \$6.5 million (15% of annual General Fund expenditures) to cover future economic downturns. Overall, the City's General Fund reserves have increased by approximately \$3.5 million. Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the City (see Table 44).

Table 44. City of Gilroy Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$18,897,997	\$15,891,609
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	See Note	\$6,452,536

Source: CAFR

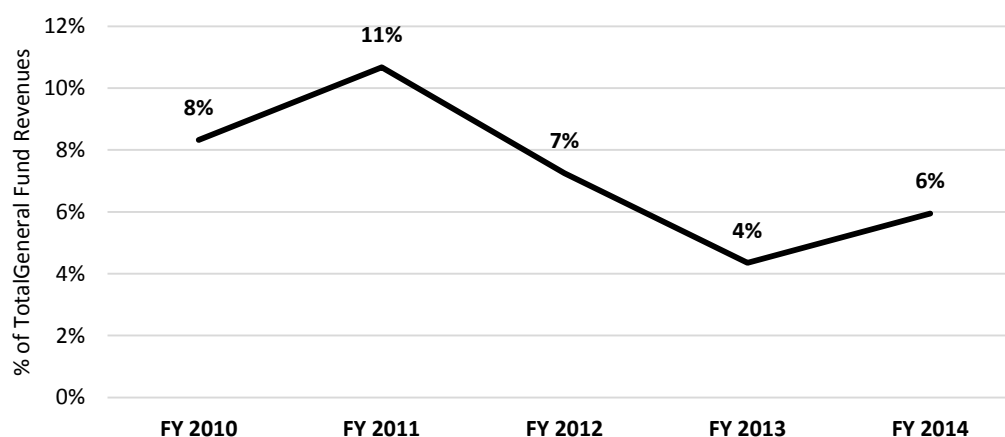
Note: Economic uncertainty reserve fund was established in 2010.

5.5.4 Financial Health Indicators

Using select indicators from the League of California Cities' Financial Health Diagnostic Tool, the City of Gilroy is in positive fiscal health.

Over the past five years the City accumulated annual surpluses in the General Fund, an indicator of positive fiscal health. The trend of the City's General Fund deficit/surplus is shown in Figure 14.

Figure 14. City of Gilroy Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

The City has budgeted an operational surplus in its General Fund for FY 2015, and has a five-year financial plan that provides for maintaining a healthy level of General Fund reserves during that period. The City has generally been conservative in its budget estimations and actual performance typically exceeds budgeted forecasts.

Table 45 shows the City's General Fund Fiscal Indicators. Not included in the City's FY 2015 operational surplus/deficit is a transfer from the General Fund of \$0.5 million to fund capital projects, which should not impact the General Fund's long-term fiscal health as recurring transfers are dependent on sufficient revenue. The City's liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 56.4% greatly exceed the GFOA-recommended minimum reserve of 17% (or two months, depending on revenue) of annual operating expenditures.

Table 45. City of Gilroy General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	3.8%
FY 2014	Liquidity Ratio ¹	8.3
FY 2014	Fund Balance as percent of Expenditures ²	56.4%

Source: CAFR, City Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

5.5.5 Financial Reporting

The City's CAFR is prepared in a timely manner and audited by an independent CPA. See Table 46.

Table 46. City of Gilroy Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

5.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Gilroy.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Gilroy serves 53,000 residents within its 16.56 square mile incorporated area. ABAG projects that the City's population will grow steadily by approximately 0.8% per year, leading to a population of 61,400 in 2040.

The City has four unincorporated islands that comprise approximately 106.5 acres. Because they are smaller than 150 acres, all four of these islands may be eligible for streamlined annexation.

The City has identified sufficient housing opportunities to meet its RHNA of 1,088 housing units between 2014 and 2022. One potential and one planned PDA exist within Gilroy for infill development.

The City's most recent general plan was adopted in June 2002, but it updated various components of the general plan and its Environmental Impact Report in 2006. The City is in the process of preparing a new general plan, which is expected to be adopted by the end of 2015.

The City's existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within or contiguous to Gilroy's SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCS WITHIN OR CONTIGUOUS TO THE SOI

The City of Gilroy does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

The City's response time for its highest priority calls where there is reason to believe an immediate threat to life exists, known as "Priority E" calls, of 6 minutes and 38 seconds exceeds the 4 minutes and 30 second response time that it has established. In addition, the City's number of park acres per 1,000 population of 2.83 is below the goal of 5.0 that it has established.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Gilroy's General Fund has consistently operated at a surplus over the past five years, and the City has a five-year financial plan that maintains a healthy level of General Fund reserves. Gilroy's General Fund reserves of 56.4% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City's ability to meet future service needs in the event of an economic downturn. In addition, the City's liquidity ratio of 8:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of Gilroy has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency's capital improvement plans.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Gilroy is engaged in service sharing agreements as identified in Table 47 below.

Table 47. Summary of Shared Services in the City of Gilroy

Service Area	Type of Sharing Arrangement	Partnering Entity
Environmental Services	JPA	Santa Clara Valley Habitat Agency
Law Enforcement – Special Operations (SWAT, Negotiation Team)	Joint Task Force	Shared between Gilroy and Morgan Hill
Law Enforcement – Radio Communications	JPA	SVRIA
Library Services	JPA	SCCLD
Public Works – Environmental Services Manager	MOU	City of Morgan Hill
Recreation – Gymnasium and aquatics facility (local high school)	Joint Ownership Agreement	City of Gilroy
Stormwater	MOU	SCVURPPP
Wastewater Treatment	JPA	SCRWA

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Gilroy provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of Gilroy promotes accountability for its community service needs.

5.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The City's SOI Boundary, established in 1984 and reaffirmed in 2006, was delineated to be considerably larger than the City's boundary to comprise the flat valley floor (including an agricultural preserve) and the adjoining foothills. The City's SOI Boundary was not a commitment to staging urban expansion but rather a planning tool for LAFCO to use as a framework in considering expansion actions. The City's SOI Boundary also delineated areas in which the City and the County have shared interests in preserving non-urban land uses.

It is recommended that LAFCO reaffirm the City of Gilroy's existing SOI boundary because the City's SOI boundary serves multiple purposes including serving as:

- A long range planning tool to help LAFCO evaluate USA boundary changes and annexation requests.
- Areas that will not necessarily be annexed to the City or will not necessarily receive services from Gilroy, but are areas in which the County and Gilroy may have shared

interests in preserving non-urban levels of land use. Specific examples include the variety of agricultural land that surround the City's municipal boundary but are within its SOI boundary. Furthermore, both the City and the County share a mutual interest in protecting view sheds and natural resources.

- Areas where the City and the County have significant interaction.
- Areas that contain social and economic communities of interest to the City, such as areas within the City's jurisdictional boundaries.

In making this recommendation, it should be made clear that inclusion of an area within the City's SOI boundary should not necessarily be seen as an indication that the City will or should either annex or allow urban development and services in the area. The City's USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether the areas will be annexed and provided urban services.

SOI DETERMINATIONS FOR THE CITY OF GILROY

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Gilroy's service review profile in this chapter, the following determinations are provided to update the City's existing SOI

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

A variety of urban uses are planned within Gilroy's USA boundary. The City's general plan is being updated and is projected to be adopted by the end of 2015. All of the land use alternatives being considered would involve expansion of urban uses into agricultural land. The County and City's GP call for continuation of non-urban land uses beyond the USA.

2. The Present and Probable Need for Public Facilities and Services in the Area

The need for a full range of public facilities and services is expected to grow modestly in the future.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There exist social and economic conditions that cause interaction and interdependence between the City and the areas within its SOI boundary.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

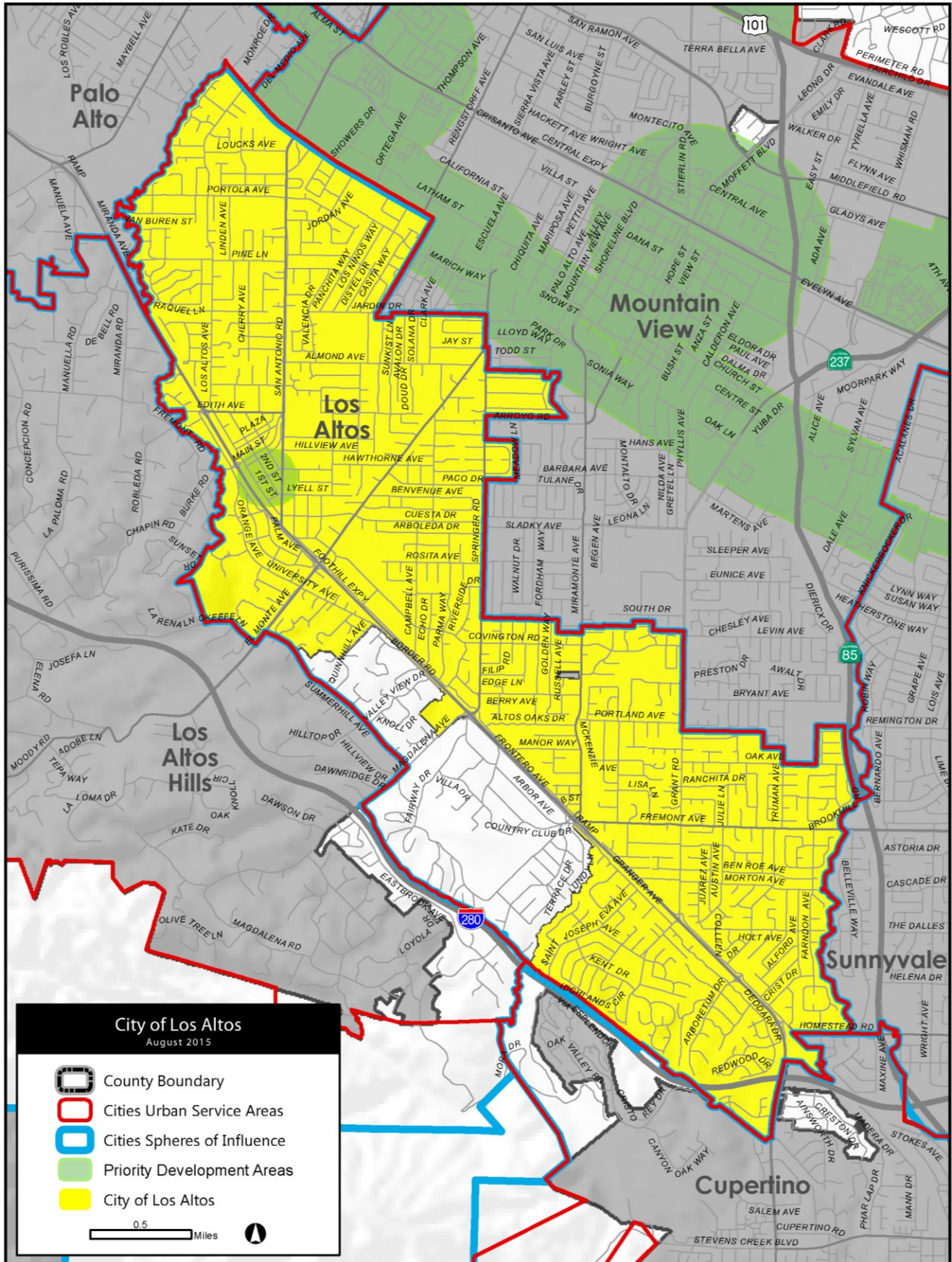
6 City of Los Altos



6.1 Agency Overview

The City of Los Altos was incorporated in December 1952. According to the DOF 2015 population estimates, the population of Los Altos is 30,036. As of 2015, the City's incorporated area spans 6.52 square miles. Bordered by the cities of Cupertino, Los Altos Hills, Mountain View, Palo Alto and Sunnyvale, the City's predominant land use is residential. As of 2015, Los Altos's USA and SOI span 7.51 square miles. These boundaries can be seen in Figure 15.

Figure 15. City of Los Altos Existing Boundaries



6.1.1 City Staffing

In FY 2014, total City staffing included 130 FTE employees. As shown in Table 48, the greatest number of FTEs is assigned to the public safety function. As discussed in section 6.4 of this document, Los Altos uses contracts to provide select services (e.g., animal control, fire protection) or is served by special districts or other agencies with their own revenue sources (e.g., library).

Table 48. City of Los Altos Staffing in Top Four Functions

City Staffing by Major Service Function	FY 2014 FTEs
Public Safety	47.0
Maintenance Services	29.5
Community Development	24.0
Administration	15.0

Source: CAFR

6.1.2 Form of Government

Los Altos is a general law city that operates under a council-manager form of government. The City Council consists of five members who are elected at large. Council members serve four year terms and select a mayor and mayor pro tem annually.

6.1.3 Joint Powers Authorities

The City of Los Altos is a member of two JPAs, as shown in Table 49.

Table 49. City of Los Altos's Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Santa Clara County Library District	Library services
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability

Source: City website and City staff interviews

6.1.4 Awards and Recognition

The City of Los Altos has been the recipient of several awards between 2005 and 2015, as shown in Table 50.

Table 50. City of Los Altos Recent Awards

Name of Award	Issuer	Year(s) Received
Award for Excellence in Finance Reporting	Government Finance Officers Association	2005-current
Certificate of Appreciation "Best Practices City"	ABAG	approx. 2010
Age-friendly City	World Health Organization	2011
Bicycle-friendly Community	The League of American Bicyclists	2011-2015; 2015-2018
Site Design Award - Rosita Park	Santa Clara Valley Urban Runoff Pollution Prevention Program	2012

Source: City of Los Altos staff

6.2 Growth and Population

6.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city, usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region's population, housing and jobs growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG's projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The City of Los Altos uses the ABAG population projections for its long-term planning. ABAG's projections for population, households (occupied housing units) and jobs are shown in Table 51.

Table 51. City of Los Altos Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
Population	28,976	29,500	30,200	30,900	31,400	32,100	32,800
Total Jobs	14,760	15,660	16,610	16,950	17,290	17,760	18,240
Total Households	10,745	10,930	11,170	11,400	11,530	11,660	11,850

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

City staff indicated that additional multiple-family developments are planned within Los Altos. As a result, staff expect the City's population to increase at a higher rate than is reflected in the ABAG numbers. Staff specified that the difference in population growth versus the ABAG projections will likely not be significant.

6.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 15,660 jobs within the community and 12,230 employed residents. Within Los Altos, there are 1.28 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Los Altos has 11,493 housing units; when combined with ABAG's estimate of 15,660 jobs within the City, jobs and housing balance is 1.36.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 52 shows, the majority of housing units in Los Altos are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the City of Los Altos's assigned housing need is 477 units. In May 2015, Los Altos adopted its 2015-2023 Housing Element and demonstrated that it has sites and housing opportunities available to accommodate 739 units, which is 262

units in excess of its assigned regional share of 477 units. The City's Housing Element was certified by the State of California's Housing and Community Development Department in May 2015.

Table 52. City of Los Altos Housing Profile

Housing Statistic	Number
Number of total existing housing units	11,493
Owner-occupied (SFR) housing units	9,335
Renter-occupied housing units	1,691
RHNA by income category	2014 to 2022
Above moderate	97
Moderate	112
Low	99
Very Low	169
Total	477

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

6.2.3 Planning and Building

In calendar year (CY) 2014, Los Altos issued a total of 1,757 residential and commercial building permits. Total building permit valuation is estimated at \$150,378,517.

The City's total assessed valuation for FY 2014 is approximately \$11.2 billion. This represents a 23% increase from FY 2009.

6.2.4 Priority Development Areas

The City has one priority development area: the El Camino Real Corridor PDA, an area consisting of commercial and residential properties along El Camino Real and on North San Antonio Road within the Commercial Thoroughfare District.

6.2.5 Planning for an Aging Population

The City offers a robust selection of senior recreation programs and is designated by the World Health Organization as an aging-friendly city. The Hillview Community Center houses the majority of the City's senior programming. Additional drop-in programming is available once a week at the City's Grant Park Community Center. The senior population (over age 65) has remained stable at 21% over the past few decades.

6.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

6.3.1 Planning Boundaries

The City's USA and municipal boundaries are nearly contiguous with the exception of one unincorporated area. This island is discussed in section 6.3.2.

The City has no plans to amend its USA or SOI within the next five years.

6.3.2 Unincorporated Islands

One unincorporated island exists within the City of Los Altos’s USA. Located on the west side of the City, this area (referred to as LA01 or the Country Club Area) consists of approximately 627 acres. The island area is comprised primarily of private residential development.

Since the island size exceeds 150 acres, it is not eligible for streamlined annexation. City staff indicated there has been no cohesive effort to annex this area as some residents prefer to remain in the County and others would prefer to become part of Los Altos Hills. According to City staff, homes in this island are connected to the Los Altos sewer system by virtue of an assessment district, established to construct sanitary sewer improvements serving properties within the district’s boundaries, which includes this island’s homes. While island residents do not receive direct municipal services from the City of Los Altos, residents identify with Los Altos and use the City’s library and downtown amenities.

The City of Los Altos indicated interest in exploring annexation of this area incrementally once a fiscal impact analysis is completed. According to City staff, annexation would provide the City with greater control over hillside development density. Staff indicated that the County’s development standards are less rigorous than the City’s. Greater alignment of County and City development standards may facilitate annexation of this remaining island.

Maps of each city’s unincorporated islands are included in Attachment B.

6.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the City of Los Altos.

6.4 City Services

In Los Altos core municipal services are delivered by a combination of City staff, JPAs and contract service providers. The primary service provider for the major municipal services discussed in this report is summarized in Table 53.

Unless specifically noted, the City of Los Altos did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 53. City of Los Altos’s Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	Contract	City of Palo Alto
Law Enforcement	City	
Library	JPA	Santa Clara County Library District
Parks and Recreation	City	
Planning/Building	City	
Solid Waste	Franchise Agreement	Mission Trails Waste Systems
Streets	City	
Stormwater	City	

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T, Comcast (State-Issued Franchise)
Wastewater Collection	City	
Wastewater Treatment	Partnership agreement ¹	City of Palo Alto

Source: City website and City staff interviews

¹The Palo Alto Regional Water Quality Control Plant is a partnership agreement among several public agencies. The City of Palo Alto is the owner and operator of the Regional Water Quality Control Plant. The cities of Mountain View, Los Altos, Los Altos Hills along with Stanford University and East Palo Alto Sanitary District have agreements to use a portion of the plant's capacity. Through this partnership agreement, all six agencies proportionately share in the costs of building and maintaining the facility.

In the past five years the City has not stopped or started providing any municipal services. Given the expected population growth for the City of Los Altos, City staff do not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

6.4.1 Animal Control

The City of Palo Alto is the contract service provider for animal control within the City of Los Altos. In FY 2014 total City expenditures for this function were \$214,158. Service level statistics are included in Attachment A.

6.4.2 Law Enforcement

The City of Los Altos is the service provider for law enforcement and dispatch services within the City. The City operates one police station and has 30 sworn officers. During FY 2014, there were 6,378 emergency 911 calls for service. The City reports that response time for Priority One calls averaged 5 minutes and 13 seconds. The City's goal for response time for Priority One calls is 5 minutes.

In FY 2014, total City expenditures on this function were \$9,831,133. Approximately 34% of the City's General Fund is dedicated to law enforcement.

The cities of Los Altos and Mountain View provide shared SWAT team services.

6.4.3 Library

The Santa Clara County Library District provides library services within the City of Los Altos. There are two facilities located within the City. Annual print circulation is nearly 1.4 million, and over 123,000 digital books are available for download to library patrons.

6.4.4 Lighting

Lighting within the City is provided and maintained by the City. A summary of lighting infrastructure is provided in Attachment A.

6.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. FY 2014 total expenditures for parks and recreation were \$2,186,361. The City has 10 parks and a total of 34 park acres. In addition, 127 acres of

open space owned by the Los Altos are publicly accessible. The City reports 1.3 park acres per 1,000 population, which equals their goal of 1.3 park acres per 1,000 population. It was noted that City now requires a higher standard of 5.0 acres of park land per 1,000 residents for new subdivisions.

The City operates two community centers and one teen center.

6.4.6 Solid Waste

The City of Los Altos receives solid waste services through a franchise agreement with Mission Trails Waste Systems. In FY 2014, City expenditures for public solid waste services were \$366,102.

In CY 2013, Los Altos disposed of 14,052 tons of solid waste. Los Altos offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the City's amount of pounds of solid waste disposed per person per day was 2.6 for its general population, meeting the state's goal for the community of 4.4 pounds. The pounds of solid waste per person per day for employees in the community was 8.5, meeting the state's goal for the community of 15.0 pounds. No solid waste disposal facility is located within Los Altos, but Mission Trail Waste Systems operates a transfer station located in the City of Santa Clara.

6.4.7 Streets

The City of Los Altos maintains 226 lane miles and 33.2 sidewalk miles. The City expends approximately \$1.45 million annually on street-related expenditures. Street sweeping is provided by contract. The City maintains approximately 5,000 street trees. The City's pavement condition index (PCI) is 78, which matches its PCI goal.

6.4.8 Stormwater

The City's stormwater system is managed and maintained by the City's Public Works Department. City staff noted they are still in the process of understanding the impact that the new regulation requirements will have on the City's stormwater budget and other resources.

Los Altos participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information).

6.4.9 Utilities

PG&E is the electricity and gas provider within Los Altos. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the City of Los Altos. The City did not indicate concerns about PG&E's ability to serve Los Altos's existing population or its future demand for energy and natural gas.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Los Altos are AT&T and Comcast. Los Altos indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

6.4.10 Wastewater

The City of Los Altos provides wastewater collection services. There are 141 miles of sewer within the City.

Los Altos is a partner agency of the City of Palo Alto's Regional Water Quality Control Plant (RWQCP). The RWQCP is operated by Palo Alto and provides wastewater treatment for six agencies (Los Altos, Los Altos Hills, Mountain View, Palo Alto, Stanford University and East Palo Alto Sanitary District). Palo Alto RWQCP

incinerates sludge collected from its partner agencies, including the City of Los Altos. Palo Alto RWQCP is developing plans to move toward more environmentally conscious biosolid waste management practices. Recycled water is not available within the City.

6.5 Financial Information

The following section provides key financial data points related to Los Altos's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Los Altos's total citywide expenditures exceeded \$32.2 million. Approximately 89% (\$28.6 million) of these expenditures constituted General Fund expenditures.

6.5.1 Revenues and Expenditures

The City's primary source of revenue is property tax. Since FY 2009 property tax revenue has increased by about \$2.8 million (22%), which is indicative of increased assessed valuation since the Great Recession. Sales tax revenue in Los Altos in FY 2014 is slightly above pre-Great Recession levels (see Table 54).

Table 54. City of Los Altos Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Property Tax	\$12,758,918	\$15,586,329
Sales Tax	\$2,697,494	\$2,809,489
Utility Users Tax	\$2,530,162	\$2,600,034

Source: CAFR

A summary of the City's General Fund revenues and expenditures is shown in Table 55.

Table 55. City of Los Altos Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$27,291,629	\$36,015,028
Total General Fund Expenditures	\$26,282,744	\$28,637,595
Top Four Sources of General Fund Revenues		
Property tax	\$12,758,916	\$15,586,329
Charges for services	\$3,421,870	\$4,378,177
Licenses, permits and fees	\$2,531,792	\$3,798,251
Other tax	\$2,146,465	\$3,554,345
Top Four Sources of General Fund Expenditures		
Public safety	\$13,127,786	\$14,604,892
Public works	\$4,267,872	\$4,352,933
Community development	\$3,189,052	\$3,840,949
Admin/Community services	\$3,384,805	\$3,551,716

Source: CAFR

6.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 56.

Table 56. City of Los Altos Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$0	\$0
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.0%	0.0%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	2.5%	2.1%
Unfunded pension liability	See note	See note

Source: CAFR

Note: City's employees are in a CalPERS risk pool. Data in CAFR not provided separately for City.

6.5.3 Reserves

Los Altos's Economic Uncertainty Reserve Fund levels have almost doubled since FY 2009, with the City setting aside a greater level of reserves for use should another economic correction occur in future years. Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the City (see Table 57).

Table 57. City of Los Altos Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$1,338,030	\$1,432,915
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$3,306,228	\$6,405,000

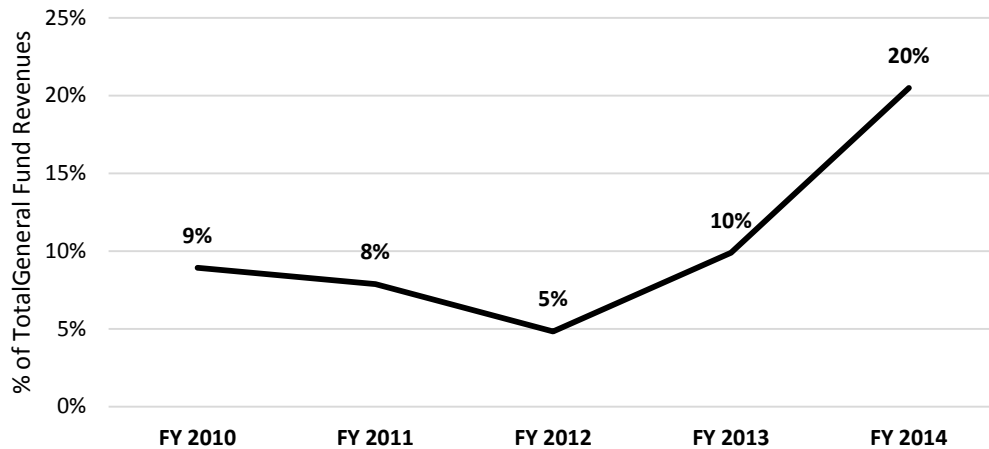
Source: CAFR

6.5.4 Financial Health Indicators

By applying a combination of industry best practices and select indicators from the League of California Cities' Financial Health Diagnostic Tool, we are able to determine that the City of Los Altos is fiscally healthy.

Over the past five years the City has accumulated annual surpluses in the General Fund. The City's General Fund surplus has increased by 11 percentage points since FY 2010, an indicator of positive fiscal health. The trend of the City's General Fund deficit/surplus is shown in Figure 16.

Figure 16. City of Los Altos Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

The City budgeted a surplus of nearly \$470,000 in its General Fund for FY 2015, and has a five-year financial plan that indicates it will maintain healthy General Fund reserve levels over that period. The City has generally been conservative in its budget estimations and actual performance typically exceeds budgeted forecasts.

Table 58 shows the City’s General Fund Fiscal Indicators. Not included in the City’s FY 2015 operational surplus is a transfer from the General Fund of \$350,000 to fund capital projects. The City’s liquidity ratio indicates the necessary cash to fund its liabilities. Los Altos finished FY 2014 with nearly \$28.6 million in General Fund reserves. While the City has assigned over \$18.5 million of these amounts towards funding future capital projects, it nevertheless has unreserved General Fund reserves of 100.2% of annual operating expenditures, which greatly exceeds the GFOA-recommended minimum reserve of 17% (or two months).

Table 58. City of Los Altos General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	5.3%
FY 2014	Liquidity Ratio ¹	14.8
FY 2014	Fund Balance as percent of Expenditures ²	100.2%

Source: CAFR, City Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

6.5.5 Financial Reporting

The City’s CAFR is prepared in a timely manner and audited by an independent CPA that issued an unqualified opinion on the CAFR (see Table 59).

Table 59. City of Los Altos Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

6.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Los Altos.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Los Altos serves 30,036 residents within its 6.52 square mile incorporated area. ABAG projects that the City's population will grow steadily by approximately 0.4% per year, leading to a population of 32,800 in 2040.

The City has one unincorporated island that is approximately 627 acres. Due to its size, this island is not eligible for streamlined annexation.

The City has identified sufficient housing opportunities to meet its RHNA of 477 housing units between 2014 and 2022. The City's borders cannot expand, so Los Altos does not have the potential for growth beyond its existing USA. No PDAs are planned within Los Altos for infill development.

The City's most recent general plan was adopted in November 2002.

The City's existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within or contiguous to Los Altos' SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCS WITHIN OR CONTIGUOUS TO THE SOI

City staff noted that, given new regulations coming into effect, the City is still in the process of understanding the impacts that state mandates will have related to stormwater infrastructure maintenance on budgetary and operational resources.

The City of Los Altos does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

The City's Priority One Police response rate of 5 minutes and 13 seconds exceeds the goal response time of 5 minutes that it has established.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Los Altos' General Fund has consistently operated at a surplus over the past five years, and the City has a five-year financial plan that maintains a healthy level of General Fund reserves. Los Altos' General Fund reserves of 100.2% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City's ability to meet future service needs in the event of an economic

downturn. In addition, the City’s liquidity ratio of 15:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of Los Altos has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency’s capital improvement plans. One area of potential concern is stormwater, as discussed under Determination Three.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Los Altos is engaged in service sharing agreements as identified in Table 60 below.

Table 60. Summary of Shared Services in the City of Los Altos

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	Contract	City of Palo Alto
Law Enforcement – Dispatch	Interoperability Partnership Agreement	Shared between Los Altos, Palo Alto and Mountain View
Law Enforcement – Radio Communications	JPA	SVRIA
Library Services	JPA	SCCLD
Stormwater	MOU	SCVURPPP
Wastewater Treatment	Partnership Agreement	City of Palo Alto

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Los Altos provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of Los Altos promotes accountability for its community service needs.

6.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The City’s existing SOI is coterminous with the City limits to the north, east and south. The City of Los Altos is bounded by the City of Palo Alto to the north; by the Cities of Mountain View and Sunnyvale to the east; by the City of Cupertino to the south. On its western side, the City is bounded by the Town of Los Altos Hills’ SOI and therefore does not have the ability for growth beyond its existing USA.

The existing Los Altos SOI is coterminous with the City limits on the north, south and east and with the Town of Los Altos Hills' SOI to the west, thus no further outward expansion is possible. Therefore, it is recommended that LAFCO reaffirm the existing SOI for the City of Los Altos.

SOI DETERMINATIONS FOR THE CITY OF LOS ALTOS

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Los Altos' service review profile in this chapter, the following determinations are provided to update the City's existing SOI:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

The Los Altos SOI is substantially coterminous with the boundaries of the City. Planned land uses in the City are consistent with existing land uses.

2. The Present and Probable Need for Public Facilities and Services in the Area

The type of public services and facilities required within Los Altos' SOI boundary is not expected to change, although the level of demand will increase slightly.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Los Altos is still in the process of addressing the impacts that state mandates will have related to stormwater infrastructure maintenance on budgetary and operational resources, as indicated in the City's service review determination #3 above.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There exist social and economic conditions that cause interaction and interdependence between the City and the areas within its SOI boundary.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

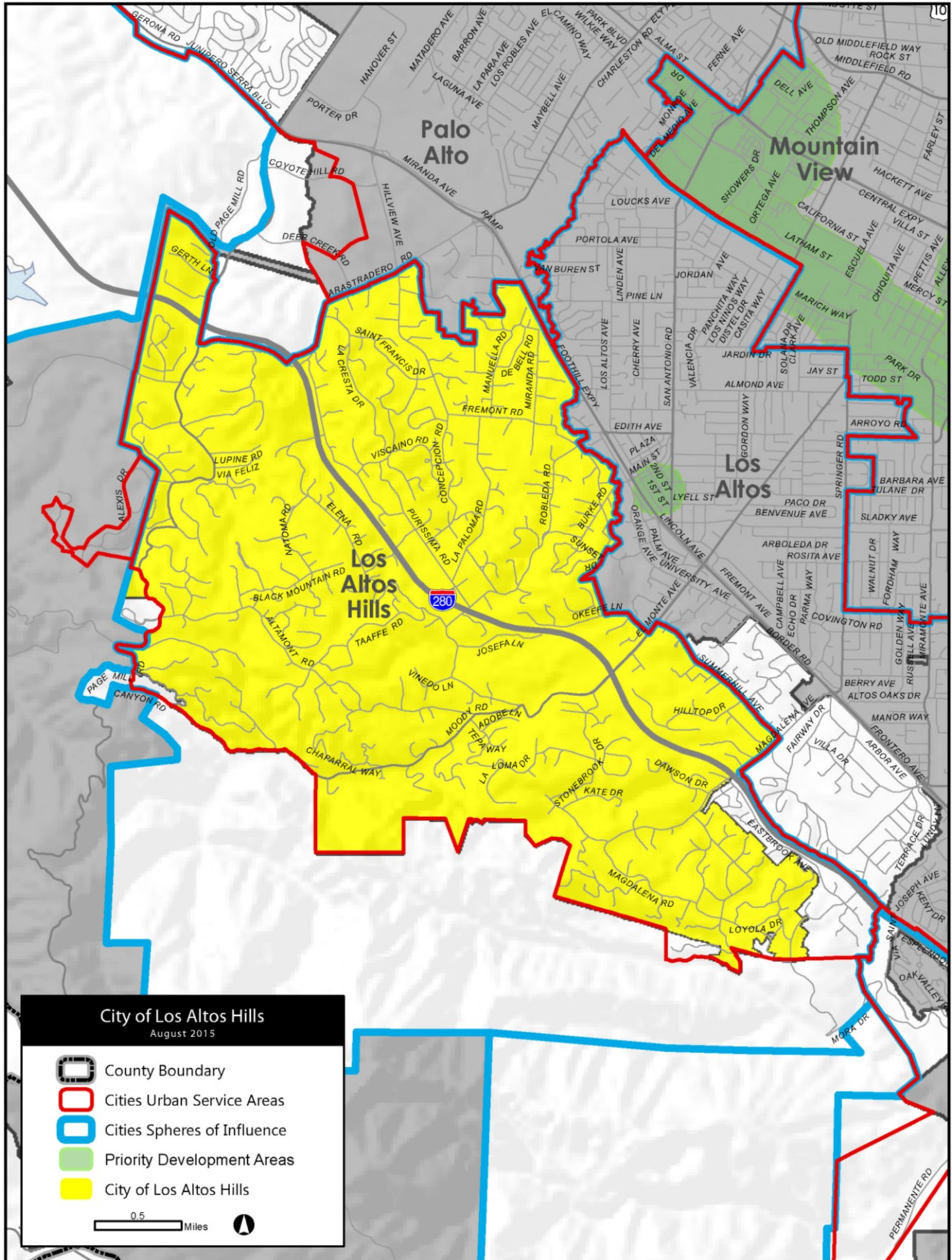
7 Town of Los Altos Hills



7.1 Agency Overview

The Town of Los Altos Hills was incorporated in January 1956. According to the DOF 2015 estimates, the population of Los Altos Hills is 8,341. As of 2015, the Town's incorporated area spans nine square miles. Los Altos Hills is located in the foothills of the Santa Cruz Mountains, approximately five miles south of Stanford University, surrounded by the cities of Los Altos and Palo Alto, unincorporated County areas, open space preserves and parklands. The main campus for Foothill Community College is based in Los Altos Hills. As of 2015, Los Altos Hills's USA spans 9.38 square miles, and its SOI encompasses 14.28 square miles. These boundaries can be seen in Figure 17.

Figure 17. Town of Los Altos Hills Existing Boundaries



7.1.1 Town Staffing

In FY 2014, total Town staffing included 19.2 FTE employees. As shown in Table 61, the greatest number of FTEs is assigned to the community development function. As discussed in section 7.4 of this document, Los Altos Hills uses contracts to provide a number of services (e.g., law enforcement, animal control) or is served by a partnership agreement (e.g., wastewater treatment).

Table 61. Town of Los Altos Hills Staffing in Top Four Functions

Town Staffing by Major Service Function	FY 2014 FTEs
Community Development	9.2
Administration	3.4
Town Center and Corp Yard Operations	2.1
Drainage and Street Operations	2.0

Source: CAFR

7.1.2 Form of Government

Los Altos Hills is a general law city that operates under a council-manager form of government. The Town Council consists of five members who are elected at large. Council members serve four-year terms and select a mayor and mayor pro-tem annually.

7.1.3 Joint Powers Authorities

The Town of Los Altos Hills is a member of one JPA, as shown in Table 62.

Table 62. Town of Los Altos Hills Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Santa Clara County Library District	Library services

Source: Town website and Town staff interviews

7.1.4 Awards and Recognition

The Town of Los Altos Hills has been the recipient of one award between 2010 and 2015, as shown in Table 63.

Table 63. Town of Los Altos Hills Recent Awards

Name of Award	Issuer	Year(s) Received
Distinguished Budget Presentation Award	Government Finance Officers Association	2014
Award for Excellence in Finance Reporting	Government Finance Officers Association	2014

Source: Town of Los Altos Hills's staff

7.2 Growth and Population

7.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region's population, housing and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG's projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state's DOF estimates for population (based on information received on housing development and other current information) are more accurate. The Town of Los Altos Hills uses the ABAG population projections for its long-term planning. ABAG's projections for population, households (occupied housing units) and jobs are shown in Table 64.

Table 64. Town of Los Altos Hills Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
Population	7,922	8,000	8,200	8,400	8,400	8,500	8,600
Total Jobs	2,060	2,180	2,310	2,350	2,410	2,470	2,540
Total Households	2,829	2,830	2,900	2,970	2,970	2,970	2,980

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

7.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the Town has 2,180 jobs within the community and 3,040 employed residents. Within Los Altos Hills, there are 0.72 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Los Altos Hills has 3,052 housing units; when combined with ABAG's estimate of 2,180 jobs within the Town, jobs and housing balance is 0.71.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 65 shows, the majority of housing units in Los Altos Hills are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the Town of Los Altos Hills's housing need is 121 units. In April 2015, the Town Council adopted its 2015-2023 Housing Element. The Town demonstrated that it has sites and housing opportunities available to accommodate 165 units, which is 41 units in excess of its assigned regional share of 121 units. The Town of Los Altos Hills's housing element was certified by the State of California's Housing and Community Development Department in May 2015.

Table 65. Town of Los Altos Hills Housing Profile

Housing Statistic	Number
Number of total existing housing units	3,052
Owner-occupied (SFR) housing units	2,587
Renter-occupied housing units	319
RHNA by income category	2014 to 2022
Above moderate	15
Moderate	32
Low	28
Very Low	46
Total	121

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

7.2.3 Planning and Building

In calendar year (CY) 2014, Los Altos Hills issued a total of 635 residential and commercial building permits. Total building permit valuation is estimated at \$53,339,935.

The Town's total assessed valuation for FY 2014 is approximately \$5.86 billion. This represents a 23% increase from FY 2009.

7.2.4 Priority Development Areas

The Town has no priority development areas.

7.2.5 Planning for an Aging Population

The Town has adopted several measures to accommodate the needs of the aging population within Los Altos Hills. These include forming a joint Senior Commission with the City of Los Altos and joining the World Health Organization's network of age-friendly cities. Staff indicated that Los Altos Hills's senior residents likely participate in programs and other services offered at Los Altos's senior center. However, no tracking mechanism exists to capture the number of Los Altos Hills's residents using the Los Altos facility. The City of Los Altos's senior center is a shared facility for senior residents from both Los Altos and Los Altos Hills, but there is no formal facility sharing agreement in place.

7.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

7.3.1 Planning Boundaries

The Town's USA and municipal boundaries are contiguous, with the exception of four unincorporated areas. These islands are discussed in section 7.3.2.

The Town has no plans to amend its USA or SOI within the next five years. With the exception of limited sewer service, the Town does not currently providing services to the area outside of its boundaries.

7.3.2 Unincorporated Islands

Four unincorporated islands exist within the Town of Los Altos Hills's USA. The islands are referred to as LAH01 (18.6 acres), LAH04 (24.3 acres), LAH05-01 (201.3 acres), and LAH05-02 (8.0 acres), and consist of primarily residential development and rural estates. LAH04 and LAH05-02 are clustered along the Town's southern boundary, and LAH01 is located along the Town's western boundary. The three smaller islands are eligible for streamlined annexation into the Town of Los Altos Hills. According to staff, annexing these islands into the Town would not materially impact service provision.

LAH05-01, the largest island within the Town's USA, is located along the Town's southeastern border. LAFCO approved contracts for wastewater services in this area to address an existing health and safety concern until annexation of this area by the Town became feasible. Annexation of this island hinges on several issues, including road maintenance, parcel size and other factors.

Maps of each city's unincorporated islands are included in Attachment B.

7.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the Town of Los Altos Hills.

7.4 Town Services

In Los Altos Hills, core municipal services are delivered by both Town staff and contract service providers. The primary service provider for the major municipal services discussed in this report is summarized in Table 66.

Unless specifically noted, the Town of Los Altos Hills does not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 66. Town of Los Altos Hills Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-Town Service Provider, if applicable
Animal Control	Contract	City of Palo Alto
Law Enforcement	Contract	Santa Clara County Sheriff's Office
Library	JPA	Santa Clara County Library District
Parks and Recreation	Town	
Planning/Building	Town	
Solid Waste	Franchise Agreement	Green Waste Recovery, Inc.
Streets	Town	
Stormwater	Town	
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T, Comcast
Wastewater Collection	Contract	West Bay Sanitary District (maintenance and operations); City of Palo Alto and City of Los Altos (Conveyance)

Major Service Function	Primary Service Provider	Non-Town Service Provider, if applicable
Wastewater Treatment	Partnership agreement ¹	City of Palo Alto

Source: Town website and Town staff interviews

¹The Palo Alto Regional Water Quality Control Plant is a partnership agreement among several public agencies. The City of Palo Alto is the owner and operator of the Regional Water Quality Control Plant. The cities of Mountain View, Los Altos, Los Altos Hills along with Stanford University and East Palo Alto Sanitary District have agreements to use a portion of the plant's capacity. Through this partnership agreement, all six agencies proportionately share in the costs of building and maintaining the facility.

In the past five years the Town has not stopped or started providing any municipal services. Given the expected population growth for the Town of Los Altos Hills, Town staff does not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

7.4.1 Animal Control

The City of Palo Alto is the contract service provider for animal control within the Town of Los Altos Hills. In FY 2014 total Town expenditures for this function were \$77,917. Service level statistics are included in Attachment A.

7.4.2 Law Enforcement

The Santa Clara County Sheriff's Office is the contract service provider for law enforcement and dispatch services within the Town of Los Altos Hills. The County does not operate a police station in the Los Altos Hills Town limits. No data is available for number of sworn officers assigned to Los Altos Hills. During FY 2014, there were 1,988 calls for service. According to the Town's service contract, Sheriff's deputies are required to respond to Priority One calls in less than 10 minutes. The City reports that response time for Priority One calls averaged 8 minutes.

In FY 2014, total Town expenditures on this function were \$1,134,527. Approximately 24% of the Town's General Fund is dedicated to law enforcement.

Through its contract with the County, the Town of Los Altos Hills has access to many shared specialized resources. These include a SWAT team, helicopter, bomb squad, dive team, crowd control, and crime scene investigation.

7.4.3 Library

The Santa Clara County Library District provides library services within the Town of Los Altos Hills. While there is not a facility located within the Town, the nearest library is located in the City of Los Altos, and is available for use by Los Altos Hills's residents. Annual print circulation for the Los Altos branch is nearly 1.4 million, and over 123,000 digital books are available for download to library patrons, including residents of Los Altos Hills.

7.4.4 Lighting

Lighting within the Town is provided and maintained by the Town. A summary of lighting infrastructure is provided in Attachment A.

7.4.5 Parks and Recreation

The Town is the primary service provider for parks and recreation. FY 2014 total expenditures for parks and recreation were \$762,185. The Town has one park and a total of 26 park acres. In addition, 132 acres of open space owned by the Town are publicly accessible. Additionally, the Town maintains a 13-acre equestrian facility. The Town reports 3.25 park acres per 1,000 population.

The Town does not operate any community or senior centers.

7.4.6 Solid Waste

The Town of Los Altos Hills receives solid waste services through a franchise agreement with Green Waste Recovery, Inc.

In CY 2013, Los Altos Hills disposed of 1,496 tons of solid waste. Los Altos Hills offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the Town's amount of pounds of solid waste disposed per person per day was 1.0 for its general population, meeting the state's goal for the community of 3.4 pounds. The pounds of solid waste per person per day for employees in the community was 3.9, meeting the state's goal for the community of 15.6 pounds. No solid waste disposal facility is located within Los Altos Hills, but Green Waste Recovery may use a material recovery facility in San Jose.

7.4.7 Streets

The Town of Los Altos Hills maintains 115 lane miles but does not maintain any sidewalks. The Town expends approximately \$1 million annually on street-related expenditures. Street sweeping is provided by contract. The Town does not maintain any street trees; rather, trees in frontage areas of many properties are the responsibility of the property owner (per municipal code), and the fire district maintains some responsibility for tree removal and pruning (with the intent of minimizing fire risk). The Town's pavement condition index (PCI) is 77, which matches its PCI goal.

7.4.8 Stormwater

The Town's stormwater system is managed and maintained by the Town's Public Works Department. Town staff regularly pick up trash along creeks within the Town. According to staff, the amount of stormwater discharge is not a burden on the Town and the Town does not anticipate any major issues with its stormwater system. Accumulated stormwater runoff drains into creeks or collects in swales, which eventually flows into creeks.

Los Altos Hills participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information).

7.4.9 Utilities

PG&E is the electricity and gas provider within Los Altos Hills. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the Town of Los Altos Hills. The Town did not indicate concerns about PG&E's ability to serve Los Altos Hills's existing population or its future demand for energy and natural gas.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Los Altos Hills are AT&T and Comcast. Los Altos Hills indicated that the approximately 15% of residents not served by Comcast are primarily choosing to not have service due to costs, not availability.

7.4.10 Wastewater

The Town of Los Altos Hills provides wastewater collection services, contracting with the West Bay Sanitary District for maintenance of its wastewater collection system. There are 56 miles of sewer within the Town. A large portion of the Town is not connected to the sewer system; approximately 41% of parcels use private septic systems. Staff indicated that provision of sewer services is not an immediate concern, but

that sewer capacity is limited and could potentially become an issue, although not likely during the next five years.

Los Altos Hills is a partner agency of the City of Palo Alto's RWQCP. The RWQCP is operated by Palo Alto and provides wastewater treatment for six agencies (Los Altos, Los Altos Hills, Mountain View, Palo Alto, Stanford University and East Palo Alto Sanitary District). As of 2015, Los Altos Hills estimates it is currently at about 80% sewer capacity. According to Town staff, variables such as improvement efforts at the Palo Alto RWQCP and recent water conservation efforts could alleviate the Town's capacity threshold concerns. The absence of good sewer infrastructure data has presented a significant challenge in understanding sewer capacity for Town staff. The Town is currently engaging in efforts to close those knowledge gaps.

Palo Alto RWQCP incinerates sludge collected from its partner agencies, including the Town of Los Altos Hills. Palo Alto RWQCP is developing plans to move toward more environmentally conscious biosolid waste management practices. Recycled water is not available within the Town.

7.5 Financial Information

The following section provides key financial data points related to Los Altos Hills's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Los Altos Hills's total expenditures exceeded \$6.7 million. Approximately 71% (\$4.8 million) of these expenditures constituted General Fund expenditures.

7.5.1 Revenues and Expenditures

The Town's primary source of revenue is property tax. Since FY 2009 property tax revenue has increased by about \$750,000 (22%). Sales tax revenue in Los Altos Hills in FY 2014 remained slightly below pre-Great Recession levels. However, sales tax is not a significant source of revenue for the Town (See Table 67).

Table 67. Town of Los Altos Hills Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Property Tax	\$3,403,586	\$4,153,332
Sales Tax	\$66,455	\$63,031
Utility Users Tax	N/A	N/A

Source: CAFR

A summary of the Town's General Fund revenue and expenditures is shown in Table 68. In FY 2014, the Town implemented a cost allocation plan that allocated the costs of the Town's administrative departments (e.g., City Manager, City Clerk, and Finance) to the operating departments. The implementation reallocated costs from Administration to the departments of Community Development, Public Safety and Parks and Recreation.

Table 68. Town of Los Altos Hills Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$6,300,492	\$8,045,795
Total General Fund Expenditures	\$4,443,845	\$4,753,905

	FY 2009	FY 2014
Top Four Sources of General Fund Revenues		
Property tax	\$3,403,586	\$4,153,332
Charges for services	\$831,553	\$1,070,199
Licenses and permits	\$580,332	\$980,307
Other taxes	\$366,282	\$524,763
Top Four Sources of General Fund Expenditures		
Community development	\$1,792,913	\$2,581,031
Public safety	\$964,899	\$1,134,527
Parks and recreation	\$251,318	\$762,185
Administration	\$1,434,715	\$276,162

Source: CAFR

7.5.2 Debt

A summary of the Town's obligations, debt, and liabilities is provided in Table 69.

Table 69. Town of Los Altos Hills Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$0	\$0
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.0%	0.0%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	2.0%	2.4%
Unfunded pension liability	N/A	\$2,017,000

Source: CAFR

7.5.3 Reserves

Los Altos Hills's unassigned General Fund reserve levels have increased by \$1.8 million since FY 2009. Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the Town (see Table 70).

Table 70. Town of Los Altos Hills Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$3,623,779	\$5,420,162
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$0	\$0

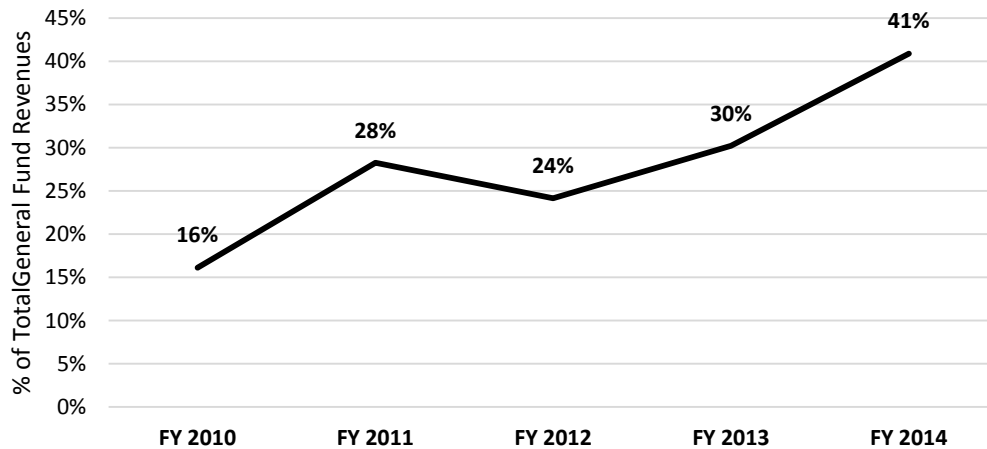
Source: CAFR

7.5.4 Financial Health Indicators

Using select indicators from the League of California Cities' Financial Health Diagnostic Tool, the Town of Los Altos Hills is in positive fiscal health.

Over the past five years, the Town has accumulated annual surpluses in the General Fund. The Town's General Fund surplus has increased by 25 percentage points since FY 2010, an indicator of positive fiscal health. The trend of the Town's General Fund deficit/surplus is shown in Figure 18.

Figure 18. Town of Los Altos Hills Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

The Town has budgeted an operating surplus in its General Fund budget for FY 2015, and the five-year financial plan projects a steady increase in General Fund reserves during that period. The Town's budget estimates have generally been conservative and actual results typically yield higher reserves than budget forecasts. The Town's FY 2015 General Fund budget includes transfers from the General Fund of \$2.5 million to fund operating and maintenance costs of its storm drain, pathways and streets funds, and transfers to fund capital improvement projects.

Table 71 shows the Town's General Fund Fiscal Indicators. The Town's liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 114.0% greatly exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 71. Town of Los Altos Hills General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	22.9%
FY 2014	Liquidity Ratio ¹	33.4
FY 2014	Fund Balance as percent of Expenditures ²	114.0%

Source: CAFR, Town Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

7.5.5 Financial Reporting

The Town's CAFR is prepared in a timely manner and audited by an independent CPA. See Table 72.

Table 72. Town of Los Altos Hills Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

7.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the Town of Los Altos Hills.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the Town of Los Altos Hills serves 8,341 residents within its nine square mile incorporated area. ABAG projects that the Town's population will grow steadily by approximately 0.3% per year, leading to a population of 8,600 in 2040.

The Town has four unincorporated islands that comprise approximately 252.2 acres. Because they are smaller than 150 acres, three of these islands are eligible for streamlined annexation.

The Town has identified sufficient housing opportunities to meet its RHNA of 121 housing units between 2014 and 2022. The Town does not anticipate that growth patterns will expand beyond Los Altos Hills' existing USA. No PDAs are planned within Los Altos Hills for infill development.

The Town's most recent general plan was adopted in May 2007.

The Town's existing general plan accommodates the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within or contiguous to Los Altos Hills' SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCs WITHIN OR CONTIGUOUS TO THE SOI

Town staff noted that, while not an immediate concern, wastewater treatment capacity could become a long-term issue, and is working with the City of Palo Alto to address those concerns.

The Town of Los Altos Hills does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Los Altos Hills' General Fund has consistently operated at a surplus over the past five years, and the Town has a five-year financial plan that maintains a healthy level of General Fund reserves. Los Altos Hills' General Fund reserves of 114.0% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the Town's ability to meet future service needs in the event of an economic downturn. In addition, the Town's liquidity ratio of 33:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The Town of Los Altos Hills has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency's capital improvement plans.

The Town prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The Town of Los Altos Hills is engaged in service sharing agreements as identified in Table 73 below.

Table 73. Summary of Shared Services in the Town of Los Altos Hills

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	Contract	City of Palo Alto
Law Enforcement – Operations	Contract	SCC's Sheriff's Office
Library Services	JPA	SCCLD
Stormwater	MOU	SCVURPPP
Wastewater Treatment	Partnership Agreement	City of Palo Alto

No opportunities were specifically identified for the Town to further share services during the course of this review.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Los Altos Hills provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the Town Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the Town of Los Altos Hills promotes accountability for its community service needs.

7.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The Town's existing SOI is coterminous with the town limits to the north, west, and most of the east. The southern boundaries include some of the Town's unincorporated islands, unincorporated hillside lands, lands within the Midpeninsula Regional Open Space District's Rancho San Antonio Open Space Preserve, and lands within the County of Santa Clara's Rancho San Antonio Park. The Town of Los Altos Hills is substantially bounded by the City of Palo Alto to the north and west; by the City of Los Altos to the east; and unincorporated hillsides lands to the south.

It is recommended that LAFCO reaffirm the Town of Los Altos Hills's existing SOI boundary because the Town's SOI boundary serves multiple purposes including serving as:

- A long range planning tool to help LAFCO evaluate USA boundary changes and annexation requests.
- Areas that will not necessarily be annexed to the Town or will not necessarily receive services from Los Altos Hills, but are areas in which the County and Los Altos Hills may have shared interests in preserving non-urban levels of land use. Specific examples include the foothills and ridgelines located south of the Town that include open space preserves. Furthermore, both the Town and the County share a mutual interest in protecting view sheds and natural resources.
- Areas where the Town and the County have significant interaction.
- Areas that contain social and economic communities of interest to the Town, such as areas within the Town's jurisdictional boundaries.

In making this recommendation, it should be made clear that inclusion of an area within the Town's SOI boundary should not necessarily be seen as an indication that the Town will or should either annex or allow urban development and services in the area. The Town's USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether the areas will be annexed and provided urban services.

SOI DETERMINATIONS FOR THE TOWN OF LOS ALTOS HILLS

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Los Altos Hills's service review profile in this chapter, the following determinations are provided to update the Town's existing SOI:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

Land uses primarily consisting of residential development and permanently preserved open space and parklands are planned within Los Altos Hills's SOI boundary. The Town's general plan calls for the continuation of non-urban uses beyond the Town's USA boundary.

2. The Present and Probable Need for Public Facilities and Services in the Area

The type of public services and facilities required within Los Altos Hills's SOI boundary is not expected to change, although the level of demand will increase slightly.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Los Altos Hills is working with the City of Palo Alto to address sufficient long-range wastewater treatment capacity per the terms of its wastewater capacity agreement.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

All communities of interest within the USA and Town limit are included within the SOI.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

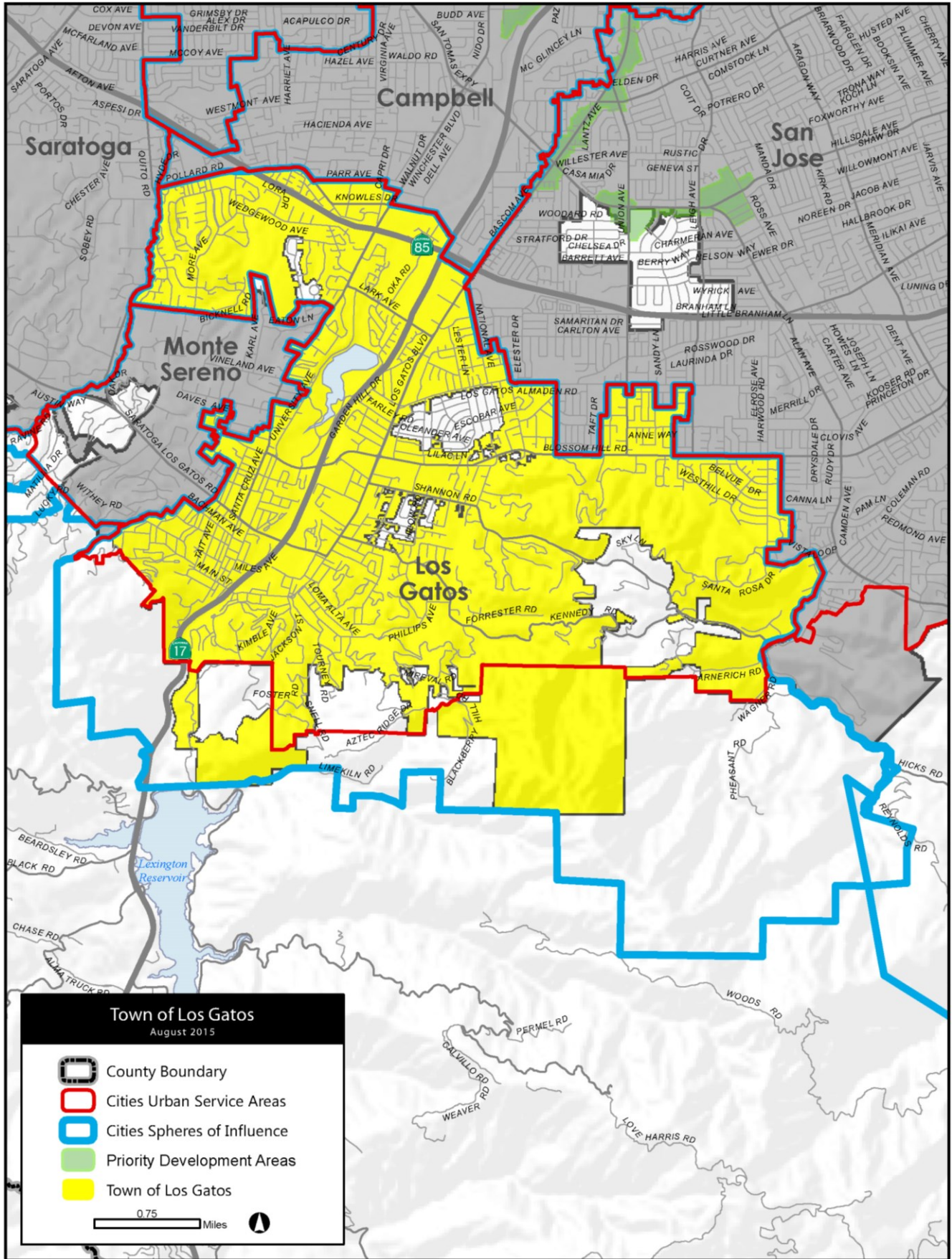
8 Town of Los Gatos



8.1 Agency Overview

The Town of Los Gatos was incorporated in August 1887. According to the DOF 2015 estimates, the population of Los Gatos is 30,505. As of 2015, the Town's incorporated area spans 11.39 square miles. Located at the base of the Sierra Azul mountain range, the Town is on the edge of the Santa Clara Valley and the Santa Cruz Mountains. Surrounded by the cities of Campbell, Monte Sereno, Saratoga, San Jose, and the Santa Cruz County border, the Town of Los Gatos has a mix of residential, commercial and light industrial uses. Los Gatos is part of a group of five jurisdictions that comprise the West Valley cities along with the cities of Campbell, Cupertino, Monte Sereno, and Saratoga. As of 2015, Los Gatos's USA spans 11.44 square miles, and its SOI encompasses 17.92 square miles. These boundaries can be seen in Figure 19.

Figure 19. Town of Los Gatos Existing Boundaries



8.1.1 Town Staffing

In FY 2014, total Town staffing included 137.5 FTE employees. As shown in Table 74, the greatest number of FTEs is assigned to the police function. As discussed in section 8.4 of this document, Los Gatos uses contracts to provide select services (e.g., animal control) or is served by special districts or other agencies with their own revenue sources (e.g., wastewater treatment).

Table 74. Town of Los Gatos Staffing in Top Four Functions

Town Staffing by Major Service Function	FY 2014 FTEs
Police	57.5
Public Works	31.5
General Government	20.7
Planning	17.5

Source: CAFR

8.1.2 Form of Government

Los Gatos is a general law town that operates under a council-manager form of government. The Town Council consists of five members who are elected at large. Council members serve four-year terms and select a mayor and vice mayor annually.

8.1.3 Joint Powers Authorities

The Town of Los Gatos is a member of two JPAs, as shown in Table 75.

Table 75. Town of Los Gatos Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability
West Valley Solid Waste Management	Collection, disposal, recycling and landfill diversion of solid waste

Source: Town website and Town staff interviews

8.1.4 Awards and Recognition

The Town of Los Gatos has been the recipient of several awards between 2010 and 2015, as shown in Table 76.

Table 76. Town of Los Gatos Recent Awards

Name of Award	Issuer	Year(s) Received
Distinguished Budget Presentation Awards	Government Finance Officers Association (GFOA)	FY 2011 to FY 2015
Award For Excellence in Financial Reporting	GFOA	FY 2010 to FY 2014

Source: Town of Los Gatos staff

8.2 Growth and Population

8.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region's population, housing, and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG's projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The Town of Los Gatos uses the DOF estimates for current year population projections and ABAG population projections for its long-term planning. ABAG's projections for population, households (occupied housing units) and jobs are shown in Table 77.

Table 77. Town of Los Gatos Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
Population	29,413	29,700	30,500	31,500	31,800	32,200	32,600
Total Jobs	23,630	25,000	26,460	26,980	27,530	28,280	29,040
Total Households	12,355	12,450	12,760	13,070	13,120	13,170	13,220

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

8.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the Town has 25,000 jobs within the community and 13,690 employed residents. Within Los Gatos, there are 1.82 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Los Gatos has 13,102 housing units; when combined with ABAG's estimate of 25,000 jobs within the Town, jobs and housing balance is 1.91.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 78 shows, the majority of housing units in Los Gatos are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the Town of Los Gatos's assigned housing need is 619 units. In May 2015, Los Gatos adopted its 2015-2023 Housing Element and demonstrated that it has sites and housing opportunities available to accommodate 629 units, 10 units in excess of its assigned regional share of 619 units. The Town of Los Gatos's housing element was certified by the State of California's Housing and Community Development Department in May 2015.

Table 78. Town of Los Gatos Housing Profile

Housing Statistic	Number
Number of total existing housing units	13,102
Owner-occupied (SFR) housing units	7,960
Renter-occupied housing units	4,465
RHNA by income category	2014 to 2022
Above moderate	174
Moderate	132
Low	112
Very Low	201
Total	619

Sources: Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

8.2.3 Planning and Building

In calendar year (CY) 2014, Los Gatos issued a total of 854 residential and commercial building permits. Total building permit valuation is estimated at \$225,984,329.

The Town's total assessed valuation for FY 2014 is approximately \$10.6 billion. This represents a 15% increase from FY 2010.

8.2.4 Priority Development Areas

The Town has no priority development areas.

8.2.5 Planning for an Aging Population

The Town's 2015-2023 Approved Housing Element includes retaining and expanding affordable housing opportunities for seniors as a goal. The Town's efforts to plan for the needs of its growing senior community are discussed in detail in the Housing Element. According to Town staff, there is also an ongoing policy discussion about increasing opportunities for seniors to age in place or move into smaller homes within Los Gatos.

8.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

8.3.1 Planning Boundaries

The Town's USA and municipal boundaries are nearly contiguous along the Town's northern and eastern limits. Several pockets of unincorporated areas exist within the Town's municipal boundaries and USA. These islands are discussed in section 8.3.2.

The Town has no plans to amend its USA or SOI within the next five years. It is not currently providing services to the area outside of its town boundaries.

8.3.2 Unincorporated Islands

The Town of Los Gatos has the most unincorporated islands within its USA of any municipality within the County. Though some islands have been annexed in recent years, as of 2015, approximately 30 remain. Many of these islands are less than 150 acres and could be eligible for annexation through a streamlined process. Town staff reported there is residential confusion over service providers, particularly along the Town's municipal boundaries.

The Town does not currently have plans for a major Town-initiated coordinated annexation of multiple islands. As specific projects for development arise within the islands, the Town is open to annexing those parcels and annexation is often a prerequisite to development within the USA. Today the County is the primary service provider to these islands, but as the Town annexes islands, it assumes service responsibility from the street to the residence, including connection to the water and wastewater lines. Should the Town pursue island annexation in the future, staff indicated that extending services to the islands located within the valley floor would not present a service capacity issue. Extending services to the pockets along the Town's hillside and outer areas would be more challenging, particularly with regard to road improvements and infrastructure needs such as retaining walls. According to Town staff, Los Gatos has the ability to provide services to its many islands but would need to conduct a more detailed financial assessment about the fiscal impacts of annexation.

Staff indicated that the Town proactively communicates with the County about Town planning standards in an effort to ensure consistency when possible as development projects are proposed in the unincorporated areas within Los Gatos's USA.

A detailed analysis of the islands within Los Gatos is available on the LAFCO website. Maps of each city's unincorporated islands are included in Attachment B.

8.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the Town of Los Gatos.

8.4 Town Services

In Los Gatos core municipal services are delivered by a combination of Town staff, JPAs and contract service providers. As noted earlier, Los Gatos is part of the West Valley cities group, which collaborates on many aspects of service delivery. Such collaboration is noted where applicable.

The primary service provider for the major municipal services discussed in this report is summarized in Table 79.

Unless specifically noted, the Town of Los Gatos did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 79. Town of Los Gatos Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-Town Service Provider, if applicable
Animal Control	Contract	City of San Jose Animal Care and Services Department
Law Enforcement	Town	
Library	Town	
Parks & Recreation	Town Contract	Los Gatos-Saratoga Recreation District

Major Service Function	Primary Service Provider	Non-Town Service Provider, if applicable
Planning/Building	Town	
Solid Waste	JPA	West Valley Solid Waste Management Authority, which contracts with West Valley Collection and Recycling
Streets	Town	
Stormwater	Town	
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T (State-Issued Franchise), Comcast (State-Issued Franchise), Verizon
Wastewater	Special District	West Valley Sanitation District

Source: Town website and staff interviews

In the past five years, the Town has stopped providing senior services. Senior services were previously included as part of the Town's Community Services budget, but were moved to the Los Gatos-Saratoga Recreation District in 2010. Given the expected population growth for the Town of Los Gatos, Town staff do not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

8.4.1 Animal Control

The City of San Jose is the contract service provider for animal control within the Town of Los Gatos. Total FY 2014 Town expenditures for this function were \$188,303. Service level statistics and information are included in Attachment A.

8.4.2 Law Enforcement

The Town of Los Gatos is the service provider for law enforcement and dispatch services within the Town. The Town operates two police stations and has 38 sworn officers. The Town also provides law enforcement services to the City of Monte Sereno. During FY 2014, there were 9,858 calls for service. The Town reports that response time for Priority One calls averaged 4 minutes and 13 seconds.

In FY 2014, total Town expenditures on this function were \$13,742,189. Approximately 40% of the Town's General Fund is dedicated to law enforcement.

The Los Gatos-Monte Sereno Police Department share several specialized resources, such as a canine team, SWAT, and hostage negotiation teams.

8.4.3 Library

The Town is the primary service provider for library services. Total FY 2014 expenditures for this function were \$2,131,438. There is one facility located within the Town. Annual print circulation is 375,000, and over 135,000 digital books are available for download to library patrons.

8.4.4 Lighting

The Town contracts with Siemens Industry Incorporated for traffic signal and street light maintenance and repair services. A summary of lighting infrastructure is provided in Attachment A.

8.4.5 Parks and Recreation

The Parks and Public Works Department is responsible for maintaining and improving the Town's public parks, trails, open space, facilities, streets and other infrastructure. Total FY 2014 expenditures for parks and recreation were \$1,561,076. The Town has 12 parks and a total of 351 park acres. The Town reports 11.8 park acres per 1,000 population.

Recreation services are provided under contract by the Los Gatos-Saratoga Recreation District, known as LGS Recreation, a joint powers agency created by the local school districts. It provides a variety of recreation services to the community, with a special focus on services to school-age children. The Town does not operate a community or senior center.

8.4.6 Solid Waste

The Town of Los Gatos is a member of the West Valley Solid Waste Management Authority JPA. The authority arranges and manages collection, disposal, recycling, and landfill diversion of solid waste originating from the Town of Los Gatos and also the cities of Saratoga, Campbell, and Monte Sereno. Through the authority, solid waste services are contracted to a service provider (currently West Valley Collection and Recycling). In FY 2014, there were no Town expenditures for public solid waste services because the services were provided by the franchise and recovered through the service rates.

In FY 2013, Los Gatos disposed of 22,172 tons of solid waste. Los Gatos offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the Town's amount of pounds of solid waste disposed per person per day was 4.0 for its general population, meeting the state's goal for the community of 6.0 pounds. The pounds of solid waste per person per day for employees in the community was 8.1, meeting the state's goal for the community of 11.6 pounds. No solid waste disposal facility is located within Los Gatos, but West Valley Collection and Recycling may use any of the nine landfill transfer stations located within Santa Clara County.

8.4.7 Streets

The Town of Los Gatos maintains 221 lane miles and 150 sidewalk miles. The Town expends approximately \$2.28 million annually on street-related expenditures. Street sweeping is provided by the Town. The Town maintains approximately 13,000 street trees. The Town's pavement condition index (PCI) is 70, which matches its PCI goal.

8.4.8 Stormwater

The Town's stormwater system is managed and maintained by the Town's Parks and Public Works Department. In addition, the Town of Los Gatos is part of the WVCWP. Along with the cities of Campbell, Monte Sereno and Saratoga, the Town of Los Gatos helped create WVCWP to control discharge of polluted stormwater into local creeks and the San Francisco Bay. As part of WVCWP, West Valley cities, including Los Gatos, pay a fee to receive administrative guidance and implementation compliance with the regional NPDES requirements. The cities each pay a fee to receive administrative guidance and implementation compliance with the regional NPDES. Property owners within the West Valley Sanitation District, which includes Los Gatos, pay a surcharge to fund WVCWP. For residential properties, the fee is approximately \$20 per parcel. Fees for commercial properties vary depending on square footage. The fee is collected as part of the tax roll along with sewer service charges.

Through WVCWP, Los Gatos participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information). The Town reports that it is compliant with NPDES standards.

8.4.9 Utilities

PG&E is the electricity and gas provider within Los Gatos. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the Town of Los Gatos. The Town did not indicate concerns about PG&E's ability to serve Los Gatos's existing population or its future demand for energy and natural gas.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Los Gatos are Comcast and Verizon. Los Gatos indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

8.4.10 Wastewater

The Town of Los Gatos receives wastewater service from West Valley Sanitation District. The Sanitation District maintains information on the Town's number of sewer miles.

Los Gatos does not operate a wastewater treatment plant. Treatment is handled by the San Jose-Santa Clara Regional Wastewater Facility. Sludge is treated and processed (converted to biosolids) and used as alternate daily cover for landfills. Recycled water is not available within the Town.

8.5 Financial Information

The following section provides key financial data points related to Los Gatos's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2010 for trend and comparative information as the FY 2009 audited financial statements were not available from the Town.

In FY 2014, Los Gatos's total expenditures exceeded \$38.7 million. Approximately 90% (\$34.9 million) of these expenditures constituted General Fund expenditures.

8.5.1 Revenues and Expenditures

The Town's primary source of revenue is property tax. Since FY 2010 property tax revenue has increased by about \$1.9 million (20%), which now includes the excess property tax increment previously collected by the Town's former redevelopment agency that was dissolved by the state in 2012. Sales tax revenue in Los Gatos in FY 2014 were slightly below pre-Great Recession levels (see Table 80).

Table 80. Town of Los Gatos Tax Revenues

Tax Revenue Type	FY 2010	FY 2014
Property Tax	\$9,809,464	\$11,689,275
Sales Tax	\$8,317,217	\$8,029,571
Utility Users Tax	N/A	N/A

Source: CAFR

A summary of the Town's General Fund revenues and expenditures is shown in Table 81.

Table 81. Town of Los Gatos Major Sources of General Fund Revenue and Expenditures

	FY 2010	FY 2014
Total General Fund Revenues	\$31,353,140	\$38,468,192

	FY 2010	FY 2014
Total General Fund Expenditures	\$33,283,622	\$34,902,195
Top Four Sources of General Fund Revenues		
Property Tax	\$9,775,954	\$11,689,275
Sales Tax	\$8,317,217	\$8,029,571
Charges for Services	\$4,055,322	\$4,742,432
Licenses and Permits	\$2,977,199	\$4,492,188
Top Four Sources of General Fund Expenditures		
Public Safety	\$12,821,498	\$13,742,189
General Government	\$5,483,753	\$8,499,854
Parks and Public Works	\$5,123,973	\$5,594,214
Community Development	\$3,412,914	\$4,335,599

Source: CAFR

8.5.2 Debt

A summary of the Town's obligations, debt, and liabilities is provided in Table 82.

Table 82. Town of Los Gatos Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2010	FY 2014
General Bonded Debt	\$0	\$0
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.3%	0.0%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	3.0%	1.92%
Unfunded pension liability	Unavailable	\$41,279,836

Source: CAFR

8.5.3 Reserves

Los Gatos's unassigned General Fund reserve levels have decreased to zero since FY 2010, as shown in Table 83. The Town's policy is to assign General Fund reserves for capital facilities' acquisition and construction after assigning fund balance reserves for economic uncertainty and revenue stabilization. The total of all such assigned reserves grew from \$16.7 million in FY 2010 to \$21.0 million in FY 2014. Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the Town.

Table 83. Town of Los Gatos Reserves

Line Item	FY 2010	FY 2014
Unassigned General Fund Reserve Levels	\$2,875,639	\$0
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$3,678,001	\$4,178,192

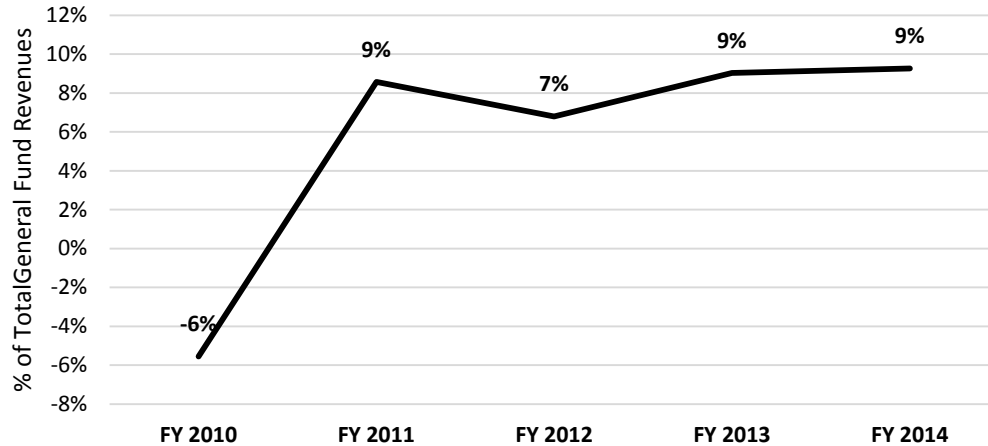
Source: CAFR

8.5.4 Financial Health Indicators

Using select indicators from the League of California Cities' Financial Health Diagnostic Tool, the Town of Los Gatos is in positive fiscal health.

Over the past three years the Town has accumulated annual surpluses in the General Fund. The Town's General Fund surplus has increased by 15 percentage points since FY 2010, an indicator of positive fiscal health. The trend of the Town's General Fund deficit/surplus is shown in Figure 20.

Figure 20. Town of Los Gatos Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

The Town has a balanced budget for FY14/15 in which a small operating shortfall was resolved with one time revenues covering one-time expenses. The Town has a five-year financial plan that provides for maintaining a healthy level of General Fund reserves over that period. The Town's General Fund reserve policy to transfer unassigned reserves to fund capital projects assists in proactively funding its capital infrastructure needs. The Town has generally been conservative in its budget estimations, actual results typically yield higher reserves than budget forecasts.

Table 84 shows the Town's General Fund Fiscal Indicators. Not included in the Town's FY 2015 operational budget are transfers from existing General Fund reserves of \$7 million to fund capital projects, which if recurring in nature, would impact the General Fund's long-term fiscal health. The Town's liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 73.3% greatly exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 84. Town of Los Gatos General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	-3.3%
FY 2014	Liquidity Ratio ¹	8.9
FY 2014	Fund Balance as percent of Expenditures ²	73.3%

Source: CAFR, Town Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

8.5.5 Financial Reporting

The Town's financial statements are audited by an independent CPA that has issued an unqualified opinion on the CAFR. However, the Town's FY 2014 CAFR was not published within six months of the end of the fiscal year (see Table 85).

Table 85. Town of Los Gatos Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	No

8.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the Town of Los Gatos.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the Town of Los Gatos serves 30,505 residents within its 11.39 square mile incorporated area. ABAG projects that the Town's population will grow by approximately 0.3% per year over the next 25 years with much of the growth occurring in the next 10 years, leading to a population of 32,600 in 2040.

The Town has approximately 30 unincorporated islands; many of which are under 150 acres and eligible for streamlined annexation.

The Town has identified sufficient housing opportunities to meet its RHNA of 619 housing units between 2014 and 2022. The Town does not anticipate that growth patterns will expand beyond Los Gatos's existing USA. No PDAs exist within Los Gatos for infill development.

The Town last updated its general plan in 2008.

The Town's existing general plan accommodates the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within or contiguous to Los Gatos' SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCs WITHIN OR CONTIGUOUS TO THE SOI

The Town of Los Gatos does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Los Gatos' General Fund has consistently operated at a surplus over the past five years, and the Town has a five-year financial plan that maintains a healthy level of General Fund reserves. Los Gatos's General Fund reserves of 73.3% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA,

indicative of the Town's ability to meet future service needs in the event of an economic downturn. In addition, the Town's liquidity ratio of 9:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The Town of Los Gatos has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency's capital improvement plans. One area of potential concern is stormwater, as discussed under Determination Three.

The Town did not publish its CAFR within six months after fiscal year end, however the final CAFR was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The Town of Los Gatos is engaged in service sharing agreements as identified in Table 86 below.

Table 86. Summary of Shared Services in the Town of Los Gatos

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	Contract	City of San Jose
Law Enforcement – Radio Communications	JPA	SVRIA
Public Works – Equipment	Joint Use Agreement	Shared between Los Gatos, Campbell and Cupertino
Recreation	Contract	LGSRD
Solid Waste	JPA	WVSWMA
Stormwater	MOU	SCVURPPP

No opportunities were specifically identified for the Town to further share services during the course of this review.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Los Gatos provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the Town Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the Town of Los Gatos promotes accountability for its community service needs.

8.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The Town's existing SOI is coterminous with its Town limits to the north, east, and west. The southern portion of the Town's SOI includes unincorporated and incorporated hillside territory located outside of the Town's USA boundary. Some of this area sustains very low

density residential development, while some of the area is undeveloped and has little or no roads or other infrastructure. This southern portion also includes lands in which the Midpeninsula Regional Open Space District has an ownership interest (e.g., El Sereno Open Space Preserve, St. Joseph's Hill Open Space Preserve, and Sierra Azul Open Space Preserve). The Town is bounded by the Cities of San Jose and Campbell to the north, the City of Monte Sereno to the east, and the City of Saratoga to the northwest.

It is recommended that LAFCO reaffirm the Town of Los Gatos's existing SOI boundary because the Town's SOI boundary serves multiple purposes including serving as:

- A long range planning tool to help LAFCO evaluate USA boundary changes and annexation requests.
- Areas that will not necessarily be annexed to the Town or will not necessarily receive services from Los Gatos, but are areas in which the County and Los Gatos may have shared interests in preserving non-urban levels of land use. Specific examples include the foothills and ridgelines located south and west of the Town. Furthermore, both the Town and the County share a mutual interest in protecting view sheds and natural resources.
- Areas where the Town and the County have significant interaction.
- Areas that contain social and economic communities of interest to the Town, such as areas within the Town's jurisdictional boundaries.

In making this recommendation, it should be made clear that inclusion of an area within the Town's SOI boundary should not necessarily be seen as an indication that the Town will or should either annex or allow urban development and services in the area. The Town's USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether the areas will be annexed and provided urban services.

SOI DETERMINATIONS FOR THE TOWN OF LOS GATOS

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Los Gatos's service review profile in this chapter, the following determinations are provided to update the Town's existing SOI:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

A variety of urban uses are planned within Los Gatos's USA boundary. The County and Town's general plan calls for the continuation of non-urban uses beyond the Town's USA boundary.

2. The Present and Probable Need for Public Facilities and Services in the Area

The need for a full range of public facilities and services is expected to grow modestly in the future.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There exist social and economic conditions that cause interaction and interdependence between the Town and the areas within its SOI boundary.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

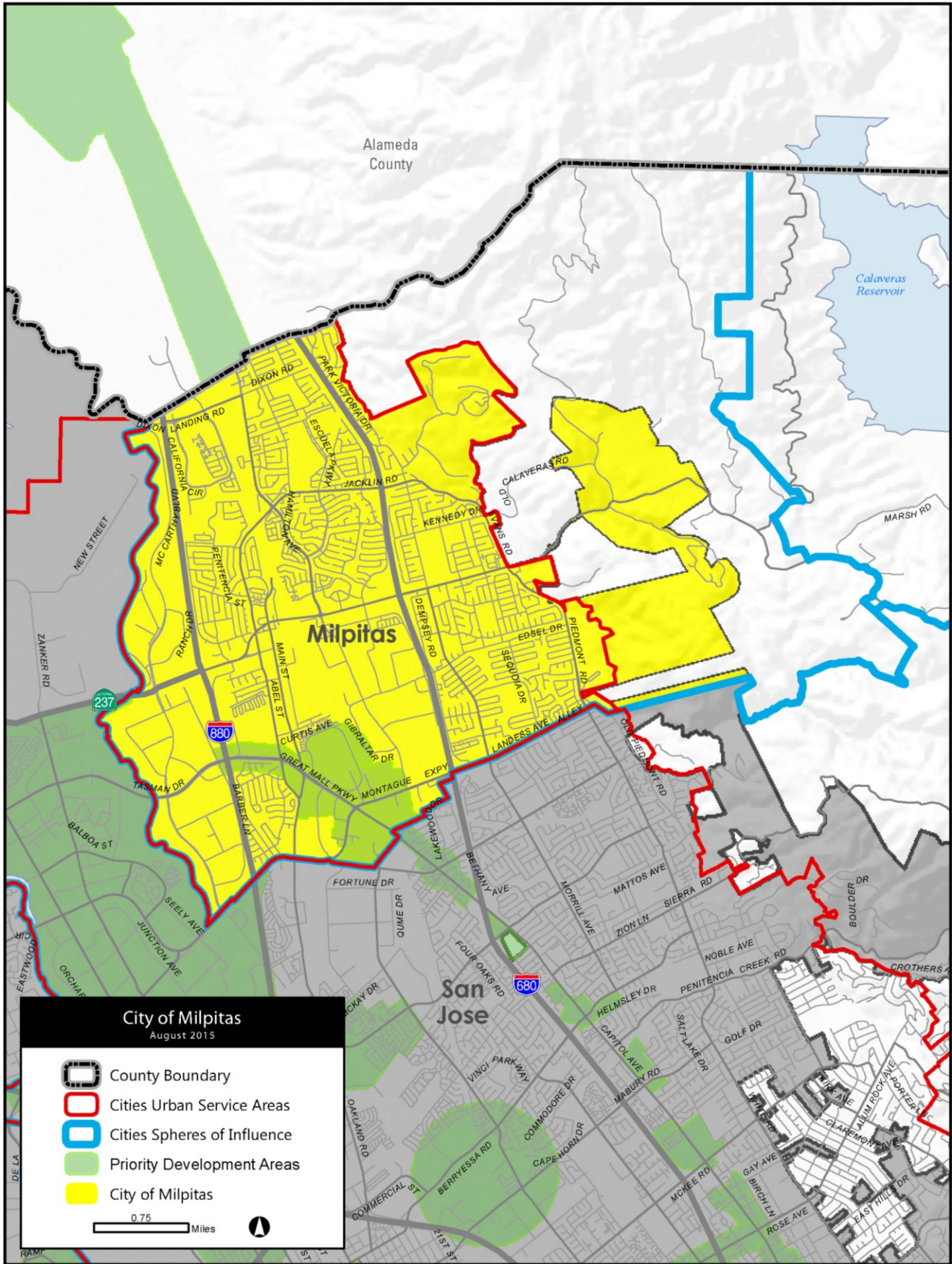
9 City of Milpitas



9.1 Agency Overview

The City of Milpitas was incorporated in January 1954. According to the California DOF 2015 estimates, the population of Milpitas is 72,606. As of 2015, the City's incorporated area spans 13.56 square miles. As of 2015, Milpitas's USA spans 11.77 square miles, and its SOI encompasses 21.43 square miles. These boundaries can be seen in Figure 21.

Figure 21. City of Milpitas Existing Boundaries



9.1.1 City Staffing

In FY 2014, total City staffing included 312.25 FTE employees. As shown in Table 87, the police function has almost one-third of the total FTEs and make up the most of the major service functions.

Table 87. City of Milpitas Staffing in Top Four Functions

City Staffing by Major Service Function	FY 2014 FTEs
Police	105.0
Fire	60.0
General Government	46.5
Public works	40.0

Source: CAFR

9.1.2 Form of Government

Milpitas is a general law city that operates under a council-manager form of government. The City Council consists of four members who are elected at large and serve four-year terms. The Mayor is elected every two years.

9.1.3 Joint Powers Authorities

The City of Milpitas is a member of two JPAs, as shown in Table 88.

Table 88. City of Milpitas Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Santa Clara County Library District	Library services
Silicon Valley Regional Interoperability Authority	Communications interoperability among Santa Clara County cities and special districts

Source: City website and City staff interviews

9.1.4 Awards and Recognition

The City of Milpitas has been the recipient of five awards between 2010 and 2015 (see Table 89).

Table 89. City of Milpitas Recent Awards

Name of Award	Issuer	Year(s) Received
Certificate of Achievement for Excellence in Financial Reporting	Government Finance Officers Association (GFOA)	2010-2015
Distinguished Budget Presentation Award	GFOA	2010-2015
Operating Budget Excellence Award	California Society of Municipal Finance Officers	2010-2015
Award of Excellence - Pumpkins in the Park Event	California Parks & Recreation Society	2015
Aging Services & Activities Award: Creating Community Through Partnerships and Collaboration	California Parks & Recreation Society	2015

Source: City of Milpitas staff

9.2 Growth and Population

9.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region’s generation of GHGs consistent with state goals for GHG reduction. “Plan Bay Area” is this region’s SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO’s goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region’s population, housing, and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG’s projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The City of Milpitas uses the ABAG population, job, and housing projections for its long-term planning. ABAG’s projections for population, households (occupied housing units) and jobs are shown in Table 90.

Table 90. City of Milpitas Population, Job, and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
Population	66,790	73,100	79,600	86,300	93,600	101,200	109,100
Total Jobs	45,190	48,660	52,520	53,480	54,530	56,120	57,810
Total Households	19,184	21,230	23,330	25,340	27,490	29,560	31,680

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

9.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 48,660 jobs within the community and 32,420 employed residents. Within Milpitas, there are 1.50 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Milpitas has 20,744 housing units; when combined with ABAG’s estimate of 48,660 jobs within the City, jobs and housing balance is 2.35.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan’s Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 91 shows, the majority of housing units in Milpitas are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the City of Milpitas’s assigned housing need is 3,290 units. In April 2015, Milpitas adopted its 2015-2023 Housing Element. That Element demonstrated that Milpitas had already approved the development of 5,870 units of above moderate-income housing, more than four times its Regional Housing Need Allocation (RHNA) of 1,151 units of above-moderate-income housing. However, the City had a remaining need for 2,139 units of very low-, low- and moderate-income housing. The Element identified sites that can accommodate 2,740 units for very low-, low- and moderate-income households, or 601 units in excess of its RHNA share for those income

groups. The City of Milpitas’s housing element was certified by the State of California’s Housing and Community Development Department in May 2015.

Table 91. City of Milpitas Housing Profile

Housing Statistic	Number
Number of total existing housing units	20,744
Owner-occupied (SFR) housing units	12,813
Renter-occupied housing units	6,722
RHNA by income category	2014 to 2022
Above moderate	1,151
Moderate	565
Low	570
Very Low	1,004
Total	3,290

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

9.2.3 Planning and Building

In calendar year (CY) 2014, Milpitas issued a total of 4,300 residential and commercial building permits. Total building permit valuation is estimated at \$330,000,000.

The City’s total assessed valuation for FY 2014 is approximately \$12.8 billion. This represents a 6.5% increase from FY 2009.

9.2.4 Priority Development Areas

The City of Milpitas identified one planned PDA near the future Milpitas Bay Area Rapid Transit (BART) Station and light rail connection. Milpitas’s transit area PDA encompasses 371 net acres and is a designated future suburban center. The PDA includes the entire Transit Area Specific Plan area and a portion of the Midtown Specific Plan area.

Milpitas has a second potential PDA that is part of the Santa Clara VTA PDA. The potential PDA encompasses approximately 92 net acres and is a future mixed-use corridor along Great Mall Parkway.

According to staff, most developers are proposing development at the lower end of the permitted density range reflecting what they believe is the local market for new development. Outside the specific plan areas, Milpitas has requests for conversions from industrial to residential use.

The community response to the PDAs has focused on traffic and parking issues and especially the potential for PDA traffic to further exacerbate the poor traffic conditions resulting from pass-through traffic on Calaveras (Highway 237) to the west toward other Silicon Valley communities.

9.2.5 Planning for an Aging Population

The City indicated that one senior housing project is planned that will offer senior residents a continuum of care.

9.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

9.3.1 Planning Boundaries

The City's USA and municipal boundaries are contiguous with the exception of the City's municipal boundary that extends into a mainly unpopulated area in the east, north of Piedmont Road. The City has one small urban unincorporated area. This island is discussed in section 9.3.2.

The City currently provides very limited services (water and police) to a golf course outside of its USA, but within its municipal boundaries. The City's hillside initiative that has significantly limited the potential for development in the eastern hills above Milpitas expires in 2018. The City has indicated it will be looking at this area in the next two years prior to the expiration of the hillside initiative. City officials indicated they cannot predict at this time where that study may lead regarding changes to the USA.

9.3.2 Unincorporated Islands

One unincorporated island exists within the City of Milpitas's USA. It is located in the southeast portion of the City (referred to as MP01) and is approximately one acre. The island is across the street from a Catholic church, and the City believes it is the site of a historic cemetery. The City has no objection to annexing the site. The small size of MP01 makes it eligible for streamlined annexation. Maps of each city's unincorporated islands are included in Attachment B.

9.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the City of Milpitas.

9.4 City Services

In Milpitas, City staff deliver most core municipal services. Contracts are in place for animal control and wastewater services, and some elements of public works maintenance. The primary service provider for the major municipal services discussed in this report is summarized in Table 92.

Unless specifically noted, the City of Milpitas did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 92. City of Milpitas Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	Contract	City of San Jose Animal Care and Services Department
Law Enforcement	City	
Library	JPA	Santa Clara County Library District
Parks and Recreation	City	
Planning/Building	City	
Solid Waste	Franchise Agreement	Republic Services (formerly Allied Waste)
Streets	City	
Stormwater	City	

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T, Comcast
Wastewater	Contract	San Jose-Santa Clara Regional Wastewater Facility

Source: City website and City Staff interviews

In the past five years the City has not stopped or started providing any municipal services. Given the expected population growth for the City of Milpitas, City staff do not anticipate significant difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

9.4.1 Animal Control

The City of San Jose is the contract service provider for animal control within the City of Milpitas. In FY 2014 total City expenditures for this function were \$348,438. Service level statistics are included in Attachment A.

9.4.2 Law Enforcement

The City of Milpitas employs City staff for police and dispatch services. The City contains one police station. In total, there are 83 sworn officers in the Police Department. During FY 2014, there were 22,780 calls for service. The City reports that response time for Priority One calls averaged 2 minutes and 33 seconds. The City’s goal for response time for Priority One calls is 3 minutes.

In FY 2014, total City expenditures on this function were \$22,069,962. Approximately 35% of the City’s General Fund is dedicated to law enforcement.

The City provides some specialized law enforcement services, including a computer aided dispatch system, a records management system and a gun range. The City also assigns certain police officers to participate on County enforcement task forces.

The population growth described in section 9.2 is anticipated to impact police services. There are some concerns that the opening of a new BART station in 2018 may be correlated to additional crime. The potential for increased crime rates coupled with state policy changes, namely prison realignment, have put additional pressure on Milpitas’s law enforcement.

9.4.3 Library

The Santa Clara County Library District provides library services within the City of Milpitas. There is one facility located within the City. Annual print circulation is approximately 1.8 million, and 17,446 digital books are available for download to library patrons.

9.4.4 Lighting

Lighting within the City is provided and maintained by the City. A summary of lighting infrastructure is provided in Attachment A.

9.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. FY 2014 total expenditures for parks and recreation were \$4,685,422. The City has 34 parks and a total of 180 park acres. In addition, 183 acres of open space owned by the City are publicly accessible. The City reports 2.48 park acres per 1,000 population, which falls below their goal of 5.0 park acres per 1,000 population for neighborhood parks, and 3.5 park acres per 1,000 population within the Midtown Specific Plan.

The City operates one community center, one sports center, one senior center, and three swimming pools.

9.4.6 Solid Waste

The City of Milpitas has a franchise agreement for solid waste services with Republic Services (formerly Allied Waste). In FY 2014, City expenditures for public solid waste services were \$836,019.

In FY 2013, Milpitas disposed of 62,179 tons of solid waste. Milpitas offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the City's amount of pounds of solid waste disposed per person per day was 5.0 for its general population, meeting the state's goal for the community of 6.3 pounds. The pounds of solid waste per person per day for employees in the community was 8.2, meeting the state's goal for the community of 9.7 pounds. The Newby Island solid waste disposal facility is located within Milpitas.

9.4.7 Streets

The City of Milpitas maintains 128 lane miles and 116 sidewalk miles. The City's FY 2014 expenditures for street maintenance and repair was \$1,132,341. Street sweeping is provided by contract via Republic Services. The City maintains approximately 15,486 street trees. The City's pavement condition index (PCI) is 69, which falls below its PCI goal of 70.

9.4.8 Stormwater

The City's stormwater system is managed and maintained by the City's Public Works Department. The City does not collect a storm drain fee. As a result, the General Fund pays for all maintenance to the stormwater system. The City views this as an ongoing issue for adequately addressing necessary stormwater improvements, maintenance, and repairs to ensure compliance with state regulations. Given the new regulations coming into effect, City staff noted concerns about unfunded state mandates related to stormwater.

Milpitas participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information).

9.4.9 Utilities

PG&E is the electricity and gas provider within Milpitas. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the City of Milpitas. The City did not indicate concerns about PG&E's ability to serve Milpitas's existing population or its future demand for energy and natural gas.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Milpitas are AT&T and Comcast. Milpitas indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

9.4.10 Wastewater

The City of Milpitas receives wastewater service via contract with the San Jose-Santa Clara Regional Wastewater Facility. In FY 2014, expenditures for wastewater services were \$10,731,767. There are 179 miles of sewer within the City.

Sludge is treated and processed (converted to biosolids) and used as alternate daily cover for landfills. Recycled water is available within Milpitas through contract with South Bay Water Recycling (SBWR), a program of the San Jose-Santa Clara Regional Wastewater Facility that is administered by the City of San Jose. Nine other partner agencies, including the cities of Santa Clara and San Jose, also receive recycled water through SBWR.

9.5 Financial Information

The following section provides key financial data points related to Milpitas’s municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Milpitas’s total citywide expenditures exceeded \$80.5 million. Approximately 78% (\$62.9 million) of these expenditures constituted General Fund expenditures.

9.5.1 Revenues and Expenditures

The City’s primary source of revenue is property tax. Since FY 2009 property tax revenue has increased by about \$9.9 million (56%), which now includes the excess property tax increment previously collected by the City’s former redevelopment agency that was dissolved by the state in 2012. FY 2014 property tax revenues included a one-time distribution of residual property tax increment balances from the former redevelopment agency totaling \$6.3 million. Milpitas received these funds one year later than other agencies in Santa Clara County due to delays in resolving findings with the state Department of Finance regarding the balance due taxing entities. Sales tax revenue in Milpitas in FY 2014 has increased by about \$3.5 million (22%) since FY 2009 (see Table 93).

Table 93. City of Milpitas Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Property Tax	\$17,749,153	\$27,607,559
Sales Tax	\$16,250,920	\$19,766,138
Utility Users Tax	N/A	N/A

Source: CAFR

A summary of the City’s General Fund revenues and expenditures is shown in Table 94.

Table 94. City of Milpitas Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$57,550,440	\$70,543,769
Total General Fund Expenditures	\$67,952,986	\$62,876,138
Top Four Sources of General Fund Revenues		
Property tax	\$17,749,153	\$27,607,559
Sales tax	\$16,250,920	\$19,766,138

	FY 2009	FY 2014
Other tax	\$9,534,846	\$13,795,333
Licenses & fines	\$4,618,904	\$8,193,230
Top Four Sources of General Fund Expenditures		
Police	\$21,511,608	\$22,069,962
Fire	\$15,278,708	\$14,587,134
General Government	\$12,511,954	\$12,221,259
Public Works	\$7,119,961	\$6,462,770

Source: CAFR

9.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 95.

Table 95. City of Milpitas Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$0	\$0
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.0%	0.0%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	1.8%	3.0%
Unfunded pension liability	\$32,255,166	\$89,726,919

Source: CAFR

9.5.3 Reserves

Milpitas's unassigned General Fund reserve levels have decreased since FY 2009. The General Fund advanced \$5 million in FY 2014 to a capital projects fund dedicated to transit area development associated with the BART expansion project. City officials indicate this will be repaid from future impact fees from developers. Otherwise, the City's unassigned General Fund reserve levels would have increased by \$3.8 million since FY 2009. This increase is a positive sign of overall economic recovery for the City (see Table 96).

Table 96. City of Milpitas Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$14,727,915	\$13,520,552
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$0	\$0

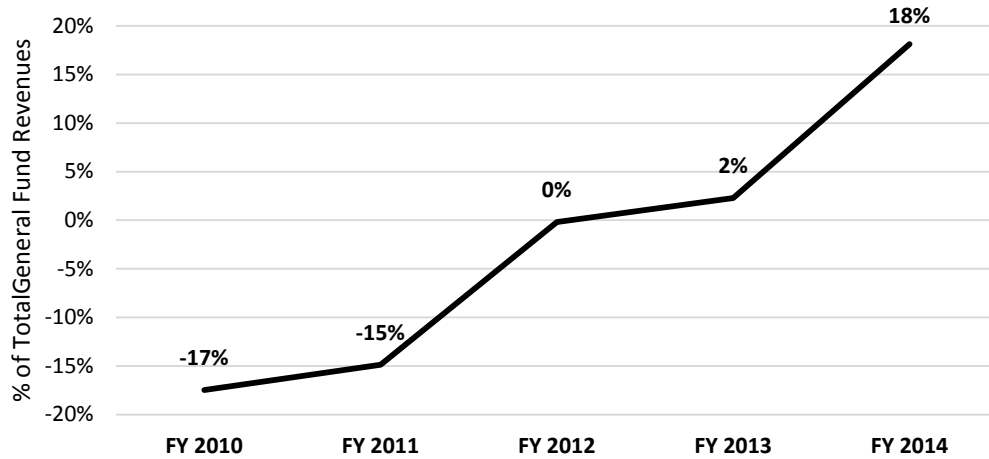
Source: CAFR

9.5.4 Financial Health Indicators

Using select indicators from the League of California Cities' Financial Health Diagnostic Tool, the City of Milpitas is in positive fiscal health.

Over the past two years the City has accumulated annual surpluses in the General Fund. The City's General Fund surplus has increased by 35 percentage points since FY 2010, an indicator of positive fiscal health. The trend of the City's General Fund deficit/surplus is shown in Figure 22.

Figure 22. City of Milpitas Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

Table 97 shows the City’s General Fund Fiscal Indicators. The City has budgeted an operating deficit (before transfers) in its General Fund for FY 2015. Its five-year financial plan indicates that the General Fund will operate at a deficit averaging \$1.3 million per year over the next five years. However, the City has generally been conservative in its budget estimations and actual results typically yield higher reserves than budget forecasts. The City has not included any transfers from the General Fund to fund capital projects. If these were included they would have a negative impact on the City’s financial health. The City’s liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 32.1% exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 97. City of Milpitas General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	-6.7%
FY 2014	Liquidity Ratio ¹	4.3
FY 2014	Fund Balance as percent of Expenditures ²	32.1%

Source: CAFR, City Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

9.5.5 Financial Reporting

The City’s CAFR is prepared in a timely manner and audited by an independent CPA. See Table 98.

Table 98. City of Milpitas Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

9.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Milpitas.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Milpitas serves 72,606 residents within its 13.56 square mile incorporated area. ABAG projects that the City's population will grow steadily by approximately 1.7% per year, leading to a population of 109,100 in 2040.

The City has one unincorporated island that comprise approximately one acre. Due to its small size, this island may be eligible for streamlined annexation.

The City has identified sufficient housing opportunities to meet its RHNA of 3,290 housing units between 2014 and 2022. Existing approvals for housing growth is well in excess of this number, and the City has identified sites in excess of the requirements for very low-, low- and moderate-income household units. One PDA is planned within Milpitas for in-fill development.

The City's most recent general plan was adopted in 1994, but has updated various components, including the addition of the Midtown Specific Plan revisions to the general plan land use map in January of 2002.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within or contiguous to Milpitas' SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCS WITHIN OR CONTIGUOUS TO THE SOI

City staff noted that the opening of a new BART station in 2018 and state policy changes relative to prison realignment have put pressures on law enforcement, the operational and financial impact of which is unknown at the present time.

The City expressed concern about unfunded state mandates related to stormwater infrastructure maintenance. As a result of these regulations, the City anticipates future costs to address the necessary stormwater improvements, maintenance and repairs to ensure compliance with the state regulations.

The City of Milpitas does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

The City's number of park acres per 1,000 population of 2.48 is below the goal of 5.0 acres for neighborhood parks, and 3.5 acres within the Midtown Specific Plan area, that is has established. In addition, the City's Pavement Condition Index of 69 in 2014 is currently below the goal index of 70 that it has established.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Milpitas’ General Fund operated at a deficit in FY 2010 and 2011, operated at near breakeven in FY 2012 and 2013, and operated at surplus in FY 2014, as economic recovery from the Great Recession and reductions in service levels took effect. The City’s five-year financial plan indicates that it will operate at a deficit averaging \$1.3 million per year over the next five years, drawing down reserves unless a revenue enhancement or expenditure reduction plan is implemented. The City is addressing those matters at the present time. Milpitas’ General Fund reserves of 32.1% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City’s ability to meet future service needs in the event of an economic downturn. In addition, the City’s liquidity ratio of 4:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of Milpitas has indicated the financial resources to accommodate current capital improvement plans, but will be challenged to address significant deferred infrastructure maintenance costs in the near future pending the outcome of its five-year financial planning activities.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Milpitas is engaged in service sharing agreements as identified in Table 99 below.

Table 99. Summary of Shared Services in the City of Milpitas

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	Contract	City of San Jose Animal Care and Services Department
Law Enforcement – Radio Communications	JPA	SVRIA
Library Services	JPA	SCCLD
Stormwater Compliance	MOU	SCVURPPP
Wastewater	Contract	San Jose-Santa Clara Regional Wastewater Facility

Milpitas was able to identify few additional sharing opportunities due to its physical isolation from other cities within Santa Clara County, but the City did identify further potential sharing opportunities in training for fire functions and tasks in the City’s building division function.

In addition to sharing services with other municipalities within the County, Milpitas indicated that many of the most ideal opportunities for sharing exist with the City of Fremont due to its close proximity.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Milpitas provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of Milpitas promotes accountability for its community service needs.

9.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The Milpitas SOI was established in 1984 to be coterminous with the existing Boundary Agreement line and the City's general plan that existed in 1984. The watershed lands that are owned by the San Francisco Water Department define the eastern side of the Boundary Agreement line and SOI boundary. These lands form a natural boundary for Milpitas' growth. The other sides of the City limit and SOI boundary are contiguous with the San Jose city limits and the County Line. The SOI boundary includes lands that are planned for both urban uses, as well as, lands planned for permanent open space uses.

It is recommended that LAFCO reaffirm the City of Milpitas' existing SOI boundary because the City's SOI boundary serves multiple purposes including serving as:

- A long range planning tool to help LAFCO evaluate USA boundary changes and annexation requests.
- Areas that will not necessarily be annexed to the City or will not necessarily receive services from Milpitas, but are areas in which the County and Milpitas may have shared interests in preserving non-urban levels of land use. Specific examples include the foothills and ridgelines located north and east of the City. Furthermore, both the City and the County share a mutual interest in protecting view sheds and natural resources.
- Areas where the City and the County have significant interaction.
- Areas that contain social and economic communities of interest to the City, such as areas within the City's jurisdictional boundaries.

In 1998, voters in the City of Milpitas adopted a Hillside Initiative establishing an Urban Growth Boundary limiting development in its eastern hill area. The initiative expires in 2018. The City intends to review plans for this area in anticipation of the expiration of the UGB, and is unable to predict where that study may lead.

In making this recommendation, it should be made clear that inclusion of an area within the City's SOI boundary should not necessarily be seen as an indication that the City will or should either annex or allow urban development and services in the area. The City's USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether the areas will be annexed and provided urban services.

SOI DETERMINATIONS FOR THE CITY OF MILPITAS

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Milpitas's service review profile in this chapter, the following determinations are provided to update the City's existing SOI.

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

A variety of urban uses are planned within Milpitas's USA boundary. The County's and City's general plans call for the continuation of non-urban uses beyond the City's USA boundary.

2. The Present and Probable Need for Public Facilities and Services in the Area

The need for a full range of public facilities and services is expected to grow moderately in the future.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Milpitas is still in the process of addressing the impacts that state mandates will have related to stormwater infrastructure maintenance on budgetary and operational resources, as indicated in the City's service review determination #3 above. In addition, the opening of a new BART station in 2018 and state policy changes relative to prison realignment have put pressures on the provision of law enforcement services, the budgetary and operational impact of which are unknown at the present time.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There exist social and economic conditions that cause interaction and interdependence between the City and the areas within its SOI boundary.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

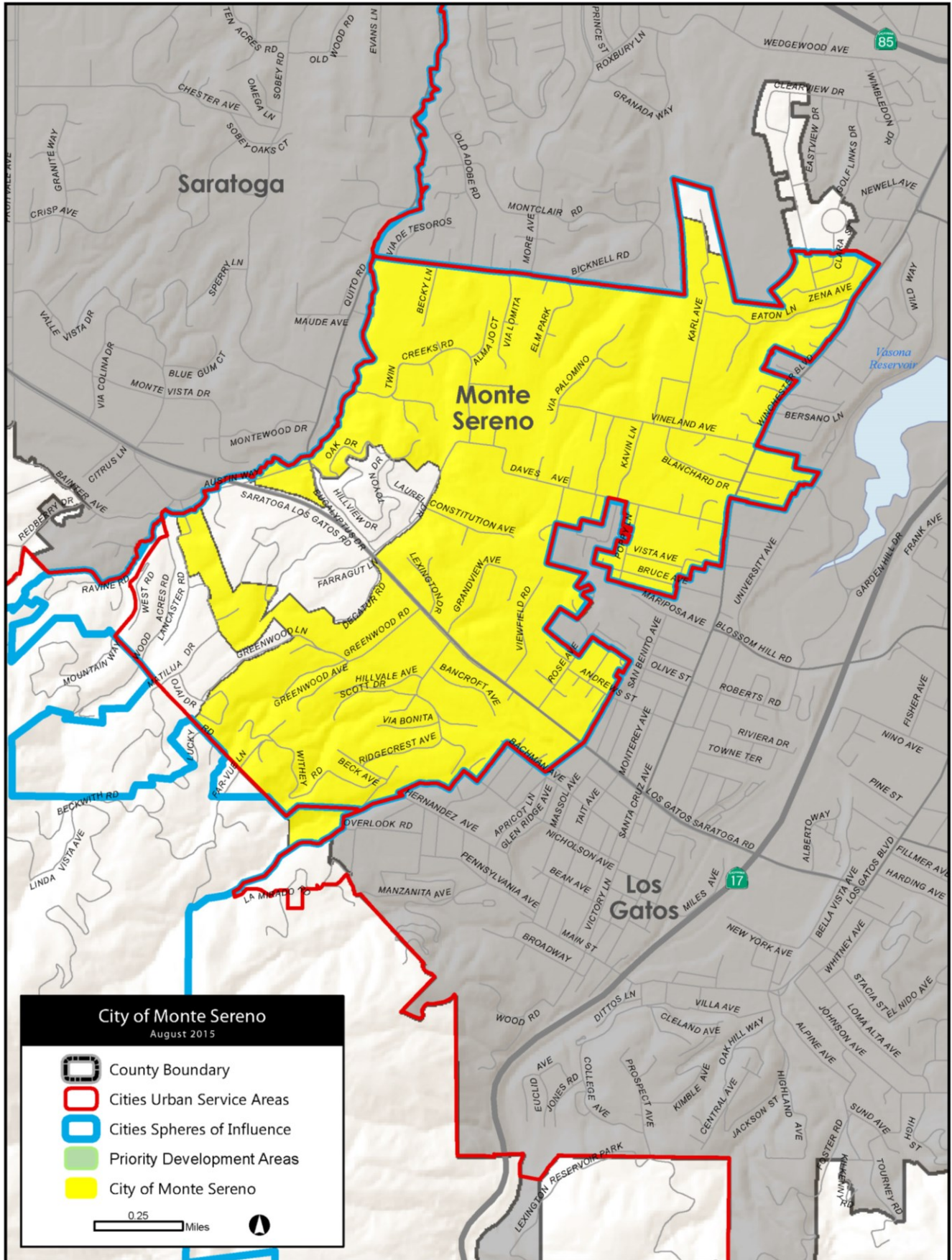
10 City of Monte Sereno



10.1 Agency Overview

The City of Monte Sereno was incorporated in May 1957. According to the DOF 2015 population estimates, the population of Monte Sereno is 3,451. As of 2015, the City's incorporated area spans 1.61 square miles. Located at the base of the Santa Cruz Mountains between the Town of Los Gatos and the City of Saratoga, Monte Sereno's predominant land use is residential. Monte Sereno is part of a group of five jurisdictions that comprise the West Valley cities along with the cities of Campbell, Cupertino, Saratoga, and the Town of Los Gatos. As of 2015, Monte Sereno's USA spans 1.91 square miles, and its SOI encompasses 2.08 square miles. These boundaries can be seen in Figure 23.

Figure 23. City of Monte Sereno Existing Boundaries



10.1.1 City Staffing

In FY 2014, total City staffing included six FTE employees. As shown in Table 100, City FTEs are focused on administrative functions. As discussed in section 10.4 of this document, Monte Sereno uses contracts to provide a number of services (e.g., law enforcement) or is served by special districts or other agencies with their own revenue sources (e.g. wastewater treatment).

Table 100. City of Monte Sereno Staffing

City Staffing by Major Service Function	FY 2014 FTEs
City Administration	6

Source: City staff

10.1.2 Form of Government

Monte Sereno is a general law city that operates under a council-manager form of government. The City Council consists of five members who are elected at-large. Council members serve four-year terms and select a mayor and vice mayor annually.

10.1.3 Joint Powers Authorities

The City of Monte Sereno is a member of three JPAs, as shown in Table 101.

Table 101. City of Monte Sereno Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Santa Clara County Library District	Library services
Silicon Valley Animal Control Authority	Animal control services
West Valley Solid Waste Management	Collection, disposal, recycling and landfill diversion of solid waste

Source: City website and City staff interviews

10.1.4 Awards and Recognition

The City of Monte Sereno did not report receiving any awards between 2010 and 2015.

10.2 Growth and Population

10.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region's population, housing, and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG's projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The City of Monte Sereno uses the ABAG population, job, and housing projections for its long-term planning. According to City staff, Monte Sereno is fairly well built out, and future population growth would likely result from an increase in multi-generational households. ABAG's projections for population, households (occupied housing units) and jobs are shown in Table 102.

Table 102. City of Monte Sereno Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
Population	3,341	3,400	3,500	3,600	3,600	3,600	3,700
Total Jobs	450	470	530	530	550	560	580
Total Households	1,211	1,220	1,250	1,280	1,290	1,290	1,300

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

10.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 470 jobs within the community and 1,430 employed residents. Within Monte Sereno, there are 0.33 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Monte Sereno has 1,220 housing units; when combined with ABAG's estimate of 470 jobs within the City, jobs and housing balance is 0.39.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 103 shows, the majority of housing units in Monte Sereno are owner-occupied single-family housing units. ABAG's assigned housing need between January 1, 2014 and October 31, 2022 is 61 units. On May 19, 2015, the Monte Sereno City Council approved its 2015-2023 Housing Element, which demonstrated that it has sites and housing opportunities available to accommodate 71 units, which is 10 units in excess of its assigned regional share of 61 units. As of June, the City of Monte Sereno's housing element is in review by the State of California's Housing and Community Development Department and has not yet been certified.

Table 103. City of Monte Sereno Housing Profile

Housing Statistic	Number
Number of total housing units	1,220
Owner-occupied (SFR) housing units	1,122
Renter-occupied housing units	98
RHNA by income category	2014 to 2022
Above moderate	12
Moderate	13
Low	13
Very Low	23

Total	61
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Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

10.2.3 Planning and Building

In calendar year (CY) 2014, Monte Sereno issued a total of 569 residential and commercial building permits. Total building permit valuation is estimated at \$13,127,952.

The City's total assessed valuation for FY 2013 is approximately \$1.53 billion. This represents a 7% increase from FY 2009.

10.2.4 Priority Development Areas

The City has no priority development areas.

10.2.5 Planning for an Aging Population

To accommodate the needs of Monte Sereno's aging population, the City has adopted policies that encourage multi-generational housing. These policies include dramatic incentives and reduced regulatory requirements for secondary units. The City also has zoning policies that encourage establishing boarding homes, nursing homes, etc.

10.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

10.3.1 Planning Boundaries

The City's USA and municipal boundaries are nearly contiguous with the exception of three unincorporated areas. These islands are discussed in section 10.3.2.

The City has no plans to amend its USA or SOI within the next five years. It is not currently providing services to the area outside of its city boundaries.

10.3.2 Unincorporated Islands

Three unincorporated islands exist within the City of Monte Sereno's USA. The first, MS01, is located in the northernmost part of the City's USA and consists of 9.3 acres. The second and third islands are located in the westernmost part of Monte Sereno's USA and are referred to as MS02 and MS03, consisting of 125.6 acres and 69 acres, respectively. The City has indicated it is willing to incorporate these three islands into the municipal boundary and can provide the needed services to residents. Maps of each city's unincorporated islands are included in Attachment B.

10.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the City of Monte Sereno.

10.4 City Services

In Monte Sereno, core municipal services are mainly delivered by contract service providers. As noted earlier, Monte Sereno is part of the West Valley cities group, which collaborates on many aspects of service delivery. Such collaboration is noted where applicable. The primary service provider for the major municipal services discussed in this report is summarized in Table 104.

Unless specifically noted, the City of Monte Sereno did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 104. City of Monte Sereno Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	JPA	Silicon Valley Animal Control Authority
Law Enforcement	Contract	Los Gatos-Monte Sereno Police Department
Library	JPA	Santa Clara County Library District
Parks Recreation	N/A Contract	Los Gatos-Saratoga Recreation District
Planning/Building	City	
Solid Waste	JPA	West Valley Solid Waste Management, which contracts with West Valley Collection and Recycling
Streets	City	
Stormwater	Special District	West Valley Sanitation District
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone/High-speed internet	Franchise Agreement	Verizon, Comcast (State-Issued Franchise)
Wastewater	Special District	West Valley Sanitation District

Source: City website and City staff interviews

In the past five years the City has not stopped or started providing any municipal services. Given the expected population growth for the City of Monte Sereno, City staff does not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

10.4.1 Animal Control

The Silicon Valley Animal Control Authority (SVACA) is the service provider for animal control within the City of Monte Sereno. In FY 2014 total City expenditures for this function were \$23,403. Service level statistics are included in Attachment A.

10.4.2 Law Enforcement

The Los Gatos-Monte Sereno Police Department is the contract service provider for law enforcement and dispatch services within the City of Monte Sereno. The department has one police station, which is located in the Town of Los Gatos. In total, there are 38 sworn officers in the department with an unknown number assigned to Monte Sereno. During FY 2014, there were 605 calls for service. The City reports that response time for Priority One calls averaged 4 minutes and 14 seconds.

In FY 2014 total City expenditures on this function were \$534,382. Approximately 22% of the City's General Fund is dedicated to law enforcement.

The Los Gatos-Monte Sereno Police Department share several specialized resources, such as a canine team, SWAT, and hostage negotiation teams.

10.4.3 Library

The Santa Clara County Library District provides library services within the City of Monte Sereno. There is currently no library facility within the City, but the District's bookmobile service does list Daves Elementary School as a regular stop on its route. Annual print circulation exceeds 1.2 million, and nearly 124,000 digital books are available for download to library patrons.

10.4.4 Lighting

Lighting within the City is provided and maintained by the City. A summary of lighting infrastructure is provided in Attachment A.

10.4.5 Parks and Recreation

The City does not have any parks. Monte Sereno residents use City of Saratoga and Town of Los Gatos for parks and recreation services. Recreation services are provided under contract by the Los Gatos-Saratoga Recreation District, known as LGS Recreation, a joint powers agency created by the local school districts. It provides a variety of recreation services to the community, with a special focus on services to school-age children. The City does not budget any funds for these services, nor does it have any type of community center.

10.4.6 Solid Waste

The City of Monte Sereno is a member of the West Valley Solid Waste Management Authority JPA. The authority arranges and manages collection, disposal, recycling, and landfill diversion of solid waste originating in the cities of Campbell, Saratoga, Monte Sereno and the Town of Los Gatos. Through the authority, solid waste services are contracted to a service provider (currently West Valley Collection and Recycling). The City's expenditures for public solid waste services for FY 2014 were \$3,650.

In CY 2013, Monte Sereno disposed of 1,289 tons of solid waste. Monte Sereno offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the City's amount of pounds of solid waste disposed per person per day was 2.1 for its general population, meeting the state's goal for the community of 3.9 pounds. The pounds of solid waste per person per day for employees in the community was 23.5, meeting the state's goal for the community of 49.6 pounds. No solid waste disposal facility is located within Monte Sereno, but West Valley Collection and Recycling may use any of the nine landfill transfer stations located within Santa Clara County.

10.4.7 Streets

The City of Monte Sereno maintains 26.2 lane miles and 2 sidewalk miles. The City expends approximately \$454,000 annually on street-related expenditures. Street sweeping is provided by contract. The City maintains approximately 15 street trees. The City did not report a value for its current pavement condition index (PCI).

10.4.8 Stormwater

The City's stormwater system is managed and maintained by the West Valley Sanitation District. According to staff, the City's stormwater system is aging and system maintenance has been deferred. As new state and federal stormwater regulations come into effect, City staff noted concerns about ensuring compliance with the unfunded state mandates related to stormwater. Maintenance of the stormwater system is partially funded by a stormwater maintenance fee added to residents' wastewater bills. The City's General Fund also pays for some needed maintenance, particularly for emergency stormwater drain maintenance. To supplement and enhance funding, the City is considering alternate revenue generation possibilities, including the creation of an assessment district.

In addition, the City of Monte Sereno is part of the WVCWP. Along with Campbell, Los Gatos and Saratoga, the City of Monte Sereno helped create WVCWP to control discharge of polluted stormwater into local creeks and the San Francisco Bay. As a part of the WVCWP, Monte Sereno participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information).

As part of WVCWP, West Valley cities, including Monte Sereno, pay a fee to receive administrative guidance and implementation compliance with the regional NPDES requirements. Property owners within the West Valley Sanitation District, which includes Monte Sereno, pay a surcharge to fund WVCWP. For residential properties, the fee is approximately \$20 per parcel. Fees for commercial properties vary depending on square footage. The fee is collected as part of the tax roll along with sewer service charges.

10.4.9 Utilities

PG&E is the electricity and gas provider within Monte Sereno. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the City of Monte Sereno. The City did not indicate concerns about PG&E's ability to serve Monte Sereno's existing population or its future demand for energy and natural gas. City staff noted that Monte Sereno is partnering with Cupertino, Mountain View, Sunnyvale and unincorporated areas of the County to discuss the possibility of becoming a CCA under the provisions of AB 118 to allow them to pool electricity demand of their residential, business and municipal accounts to purchase or develop power on their behalf.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Monte Sereno are Verizon and Comcast. Monte Sereno indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

10.4.10 Wastewater

The West Valley Sanitation District provides Monte Sereno with wastewater service. Monte Sereno has 22.1 miles of sewer mains and 6 miles of laterals.

The City does not operate a wastewater treatment plant. Treatment is handled by the San Jose-Santa Clara Regional Wastewater Facility as a pass-through agreement with West Valley Sanitation District. Sludge is treated and processed (converted to biosolids) and used as alternate daily cover for landfills. Recycled water is not available within the City.

10.5 Financial Information

The following section provides key financial data points related to Monte Sereno's municipal operations based on the most recent audited financial statements available from FY 2013. Select information is provided from FY 2009 for trend and comparative information.

Monte Sereno's audited financial statements for FY 2014 were not available at the time this report was written. City staff provided certain financial data upon request, but a comprehensive financial data set will not be available until the audited financial statements are completed. In the latest reported financial statements from FY 2013, Monte Sereno's total citywide expenditures exceeded \$2.4 million. Approximately 73% (\$1.8 million) of these expenditures constituted General Fund expenditures.

10.5.1 Revenues and Expenditures

The City's primary source of revenue is property tax. Since FY 2009 property tax revenue has increased by about \$64 thousand (5.7%). Sales tax revenue in Monte Sereno in FY 2013 is slightly above pre-Great Recession levels. However, sales tax is not a significant source of revenue for the City (see Table 105).

Table 105. City of Monte Sereno Tax Revenues

Tax Revenue Type	FY 2009	FY 2013
Property Tax	\$1,118,391	\$1,182,320
Sales Tax	\$9,144	\$12,408
Utility Users Tax	N/A	N/A

Source: Audited financial statements, City Finance Staff

A summary of the City's General Fund revenues and expenditures is shown in Table 106.

Table 106. City of Monte Sereno Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2013
Total General Fund Revenues	\$2,346,516	\$2,150,608
Total General Fund Expenditures	\$1,834,834	\$1,802,018
Top Sources of General Fund Revenues		
Property and special assessment taxes	\$1,115,357	\$1,177,597
Licenses and permits	\$627,684	\$428,320
Franchise fees	\$196,611	\$295,309
Other revenue	\$201,807	\$128,137
Top Sources of General Fund Expenditures		
General government	\$1,765,067	\$1,774,542
Community development	\$25,342	\$21,926
Public safety	\$44,425	\$5,550

Source: Audited financial statements, City Finance Staff

10.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 107.

Table 107. City of Monte Sereno Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2013
General Bonded Debt	\$0	\$0
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.0%	0.0%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	Not provided	Not provided
Unfunded pension liability	\$68,910	\$98,648

Source: Audited financial statements, City Finance Staff

10.5.3 Reserves

Monte Sereno's unassigned General Fund reserve levels have increased since FY 2009. The City also established an Economic Uncertainty Reserve within the General Fund of \$3.5 million in FY 2013 from existing General Fund unassigned reserves. Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the City (see Table 108).

Table 108. City of Monte Sereno Reserves

Line Item	FY 2009	FY 2013
Unassigned General Fund Reserve Levels	\$6,139,449	\$6,201,574
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$0	\$3,500,000

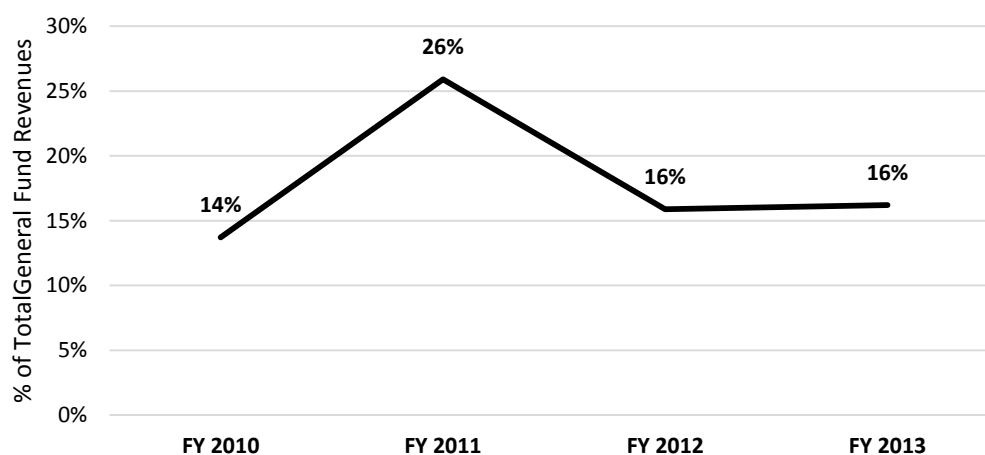
Source: Audited financial statements, City Finance Staff

10.5.4 Financial Health Indicators

Using select indicators from the League of California Cities' Financial Health Diagnostic Tool, the City of Monte Sereno is in positive fiscal health.

From FY 2010 to FY 2013, the City has accumulated annual surpluses in the General Fund. The City's General Fund surplus has increased by two percentage points since FY 2010, an indicator of positive fiscal health. The trend of the City's General Fund deficit/surplus is shown in Figure 24.

Figure 24. City of Monte Sereno Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2013



Source: Audited financial statements

The City has budgeted an operating deficit of \$398,000 in its General Fund for FY 2015. Monte Sereno has generally been conservative in its budget estimates and actual results typically yield higher reserves than budget forecasts. The budget does not include a five-year financial plan.

Table 109 shows the City's General Fund Fiscal Indicators. The City's liquidity ratio and General Fund reserves as a percent of expenditures for FY 2014 is unavailable until the audited financial statements are completed. The liquidity ratio of 113.4, based on data from the FY 2013 audited financial statements, indicates that Monte Sereno has the necessary cash to fund its liabilities. General Fund reserves of 356.7% greatly exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 109. City of Monte Sereno General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	-8.4%
FY 2013	Liquidity Ratio ¹	113.4
FY 2013	Fund Balance as percent of Expenditures ²	356.7%

Source: Audited financial statements, City Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

10.5.5 Financial Reporting

The City's audited financial statements are not prepared in a timely manner and audited by an independent CPA. See Table 110.

Table 110. City of Monte Sereno Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	N/A
Publication of Audited Financial Statements within six months of fiscal year	No

10.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Monte Sereno.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Monte Sereno serves 3,451 residents within its 1.61 square mile incorporated area. ABAG projects that the City's population will grow by approximately 0.6% per year until the population levels off in 2025, remaining mostly constant through 2040 when it is projected to have a population of 3,700.

The City has three unincorporated islands that total 203.9 acres. The City has indicated its willingness to incorporate these three islands into the municipal boundary, assuming there is community support for the annexation. The residents of these urban islands, however, have been largely unsupportive of City annexation in the past.

The City has identified sufficient housing opportunities to meet its RHNA of 61 housing units between 2014 and 2022. The City does not anticipate that growth patterns will expand beyond Monte Sereno's existing USA. No PDAs exist within Monte Sereno for infill development.

The City last prepared a comprehensive update of its general plan in January, 2009. The City's existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within or contiguous to Monte Sereno's SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCs WITHIN OR CONTIGUOUS TO THE SOI

City staff noted that, given new regulations coming into effect, the City is concerned about unfunded state mandates related to stormwater infrastructure maintenance. As a result of these regulations, the City anticipates future costs to address its aging stormwater system and related deferred maintenance.

The City of Monte Sereno does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Monte Sereno's General Fund has consistently operated at a surplus from FY 2010 to FY 2013 (the latest published CAFR). The City does not prepare a five-year financial plan. Monte Sereno's General Fund reserves of 356.7% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City's ability to meet future service needs in the event of an economic downturn. In addition, the City's liquidity ratio of 113:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of Monte Sereno has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency's capital improvement plans. One area of potential concern is stormwater, as discussed under Determination Three.

The City has not yet published its CAFR for FY 2014.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Monte Sereno is engaged in service sharing agreements as identified in Table 111.

Table 111. Summary of Shared Services in the City of Monte Sereno

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	JPA	SVACA
Emergency Center Operations	Contract	City of Los Gatos
IT Services	Contract	City of Campbell
Law Enforcement – Operations	Contract	City of Los Gatos
Law Enforcement – Radio Communications	JPA	SVRIA
Library Services	JPA	SCCLD
Recreation	Contract	LGSRD

Service Area	Type of Sharing Arrangement	Partnering Entity
Solid Waste	JPA	WVSWMA
Stormwater	MOU	SCVURPPP

Monte Sereno relies extensively on shared services. Due to capacity issues with Los Gatos, Monte Sereno has begun to explore the possibility of sharing emergency operations center functions with other West Valley cities. The City has also begun to explore the possibility of contracting for building inspections, human resources and public works, and the City is interested in electricity sharing through a CCA.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Monte Sereno provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of Monte Sereno promotes accountability for its community service needs.

10.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The City's existing SOI is coterminous with its City limits to the north, northwest, east and south. The southwestern portion of the City's SOI includes unincorporated hillside territory located outside of the City's USA boundary. Some of this area includes very-low density residential development and undeveloped land that has little or no roads or other infrastructure. There are also three unincorporated islands within the City's USA boundary. The boundaries of two of these unincorporated islands form the western portion of the City's SOI boundary. The City is bounded by the Town of Los Gatos to the north, east, and southeast; and by the City of Saratoga to the west.

It is recommended that LAFCO reaffirm the City of Monte Sereno's existing SOI boundary because the City's SOI boundary serves multiple purposes including serving as:

- A long range planning tool to help LAFCO evaluate USA boundary changes and annexation requests.
- Areas that will not necessarily be annexed to the City or will not necessarily receive services from Monte Sereno, but are areas in which the County and Monte Sereno may have shared interests in preserving non-urban levels of land use. Specific examples include the foothills and ridgelines located southwest of the City. Furthermore, both the City and the County share a mutual interest in protecting view sheds and natural resources.
- Areas where the City and the County have significant interaction.

- Areas that contain social and economic communities of interest to the City, such as areas within the City’s jurisdictional boundaries.

In making this recommendation, it should be made clear that inclusion of an area within the City’s SOI boundary should not necessarily be seen as an indication that the City will or should either annex or allow urban development and services in the area. The City’s USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether the areas will be annexed and provided urban services.

SOI DETERMINATIONS FOR THE CITY OF MONTE SERENO

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency’s SOI. Based upon the information contained within Monte Sereno’s service review profile in this chapter, the following determinations are provided to update the City’s existing SOI:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

Residential uses are planned within Monte Sereno’s USA boundary. The County’s and City’s general plans call for the continuation of non-urban uses beyond the City’s USA boundary.

2. The Present and Probable Need for Public Facilities and Services in the Area

The type of public services and facilities required within Monte Sereno’s SOI boundary is not expected to change, although the level of demand will increase slightly.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Monte Sereno is still in the process of addressing the impacts that state mandates will have related to stormwater infrastructure maintenance on budgetary and operational resources, as indicated in the City’s service review determination #3 above.

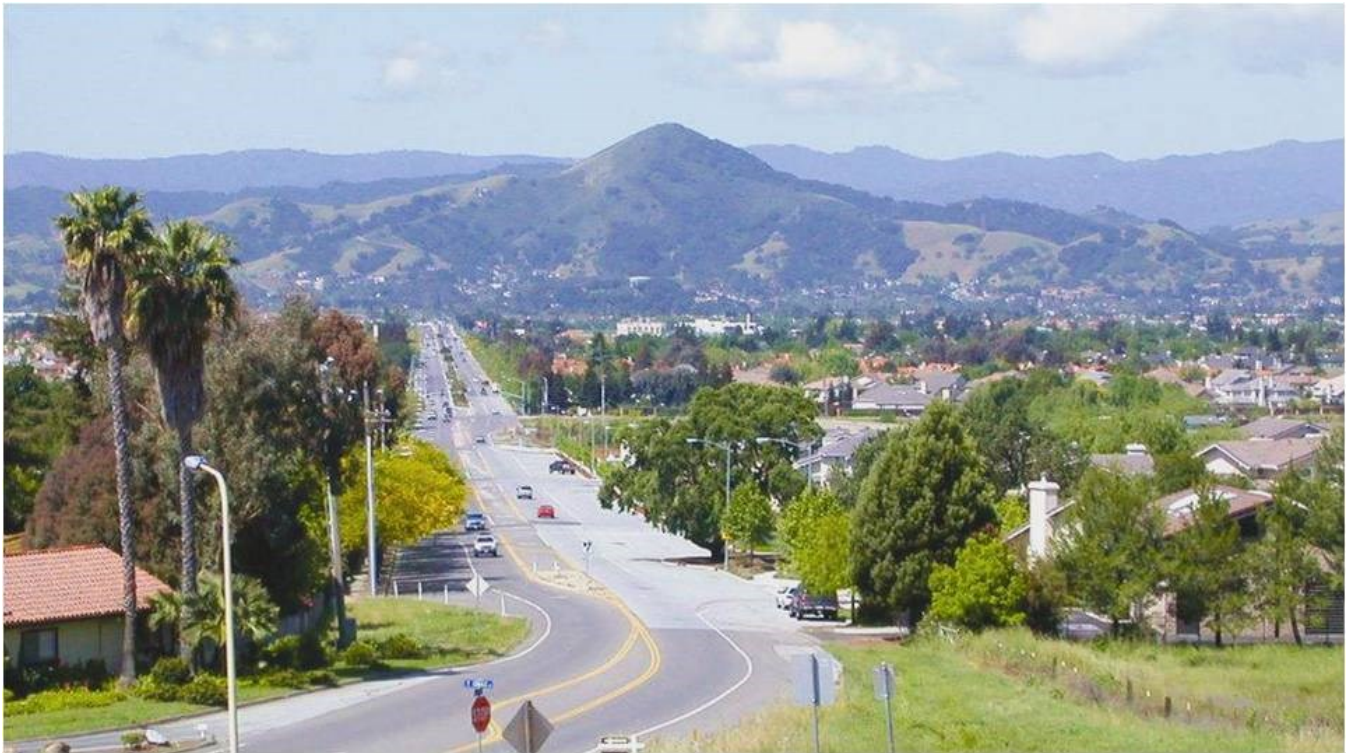
4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

All communities of interest within the USA and City limit are included within the SOI.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

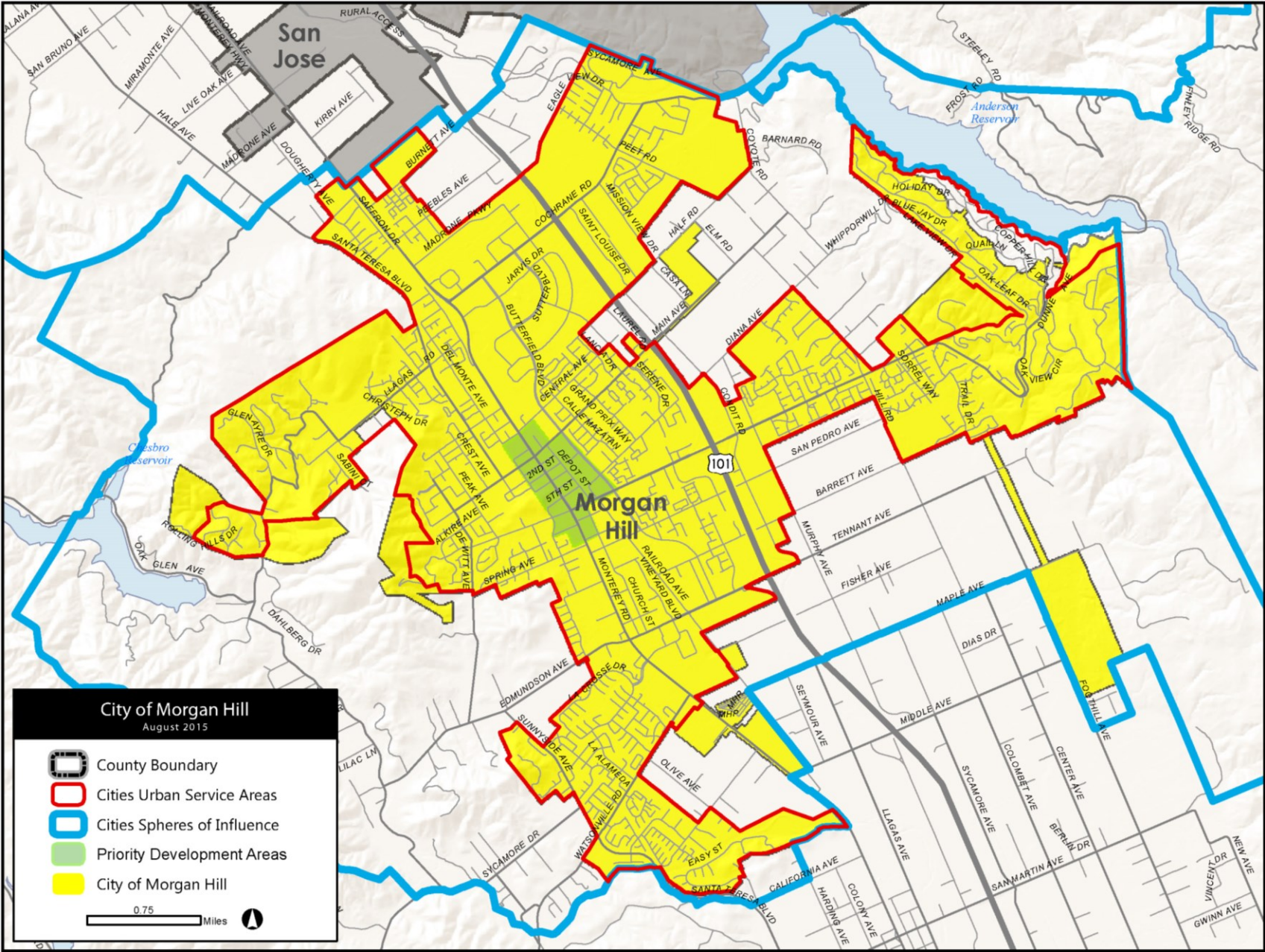
11 City of Morgan Hill



11.1 Agency Overview

The City of Morgan Hill was incorporated in November 1906. According to the California DOF 2015 estimates, the population of Morgan Hill is 41,779. As of 2015, the City's incorporated area spans 12.91 square miles. Located in the southern portion of the Santa Clara Valley, Morgan Hill is situated between the Santa Cruz Mountains to the west and Diablo Mountains to the east. The City has a mix of agricultural, residential, industrial and manufacturing land uses. As of 2015, Morgan Hill's USA spans 11.88 square miles, and its SOI encompasses 30.58 square miles. These boundaries can be seen in Figure 25.

Figure 25. City of Morgan Hill Existing Boundaries



11.1.1 City Staffing

In FY 2014, total City staffing included 174.0 FTE employees. As shown in Table 112, the greatest number of FTEs is assigned to the police function.

Table 112. City of Morgan Hill Staffing in Top Four Functions

City Staffing by Major Service Function	FY 2014 FTEs
Police	56.5
Public Works	31.8
Community Services	24.7
Community Development	20.1

Source: CAFR

11.1.2 Form of Government

Morgan Hill is a general law city that operates under a council-manager form of government. The City Council consists of five members who are elected at large. Council members serve four-year terms. The Mayor is elected to a two-year term, and the Council selects a Mayor Pro Tem annually.

11.1.3 Joint Powers Authorities

The City of Morgan Hill is a member of four JPAs, as shown in Table 113.

Table 113. City of Morgan Hill Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Santa Clara County Library District	Library services
Santa Clara Valley Habitat Agency	Implement requirements of Habitat Plan and permitting
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability
South County Regional Wastewater Authority	Wastewater treatment management

Source: City website and City staff interviews

11.1.4 Awards and Recognition

The City of Morgan Hill has been the recipient of several awards between 2010 and 2015, as shown in Table 114.

Table 114. City of Morgan Hill Recent Awards

Name of Award	Issuer	Year(s) Received
Public Communications Achievement Award	American Water Works Association	2013
Certificate of Achievement for Excellence in Financial Reporting	Government Finance Officers Association (GFOA)	2010-2014
Distinguished Budget Presentation Award	GFOA	2010-2015

Name of Award	Issuer	Year(s) Received
Operating Budget Excellence Award	California Society of Municipal Finance Officers (CSMFO)	2010-2015

Source: City of Morgan Hill staff

11.2 Growth and Population

11.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region's population, housing, and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG's projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The City of Morgan Hill does not use the ABAG population projections. Instead, the City prepares its own projections, which it uses for long-term planning. ABAG's projections for population, households (occupied housing units) and jobs and Morgan Hill's population projections are shown in Table 115.

Table 115. City of Morgan Hill Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
ABAG							
Population	37,882	39,900	41,900	43,900	46,100	48,400	50,800
Total Jobs	17,570	18,820	20,170	20,540	20,920	21,520	22,140
Total Households	12,326	12,950	13,590	14,200	14,860	15,500	16,150
City of Morgan Hill							
Population		41,779 ¹	45,362 ²	48,357	50,736	53,721	56,707 55,115

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

¹Staff-provided estimates were calculated using DOF 2014 population estimates (41,197) plus actual new units constructed (268 units multiplied by 3.08 persons per unit).

²Staff-provided estimates were calculated based on an historic average of 192 units constructed per year between 2004 and 2014 multiplied by an average of 3.11 persons per unit.

Since 1977 the City of Morgan Hill has had a voter-approved growth management system (RDCS - Residential Development Control System) that establishes a population cap and a process for allotting a maximum number of residential units on an annual or biannual basis. The last voter-approved update of the RDCS in 2004 established a population cap of 48,000 for the year 2020. The ability to meter and anticipate the amount of residential growth within a given timeframe helps staff more effectively plan for the City's service delivery needs.

At the time of this report, the City was preparing a comprehensive update of its general plan (Morgan Hill 2035) and reassessing its current population cap. A ballot measure is anticipated for the November 2016 election to update the RDCS, which would include increasing the population cap for the year 2035.

As shown in Table 115, based on recent historic growth trends, the City estimates a population of approximately 56,707 by the year 2040, roughly 5,900 more people than ABAG projections.

The "Preferred Land Use Plan" under consideration by the City (used as the basis for the Morgan Hill 2035 General Plan Update Environmental Impact Report) has an estimated residential build-out of approximately 68,000 residents. To achieve this level of growth, according to the Preferred Land Use Plan, it would require some expansion of the Urban Growth Boundary into adjacent lands, some of which could qualify as "prime farmland".

11.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 18,820 jobs within the community and 18,510 employed residents. Within Morgan Hill, there are 1.02 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Morgan Hill has 13,129 housing units; when combined with ABAG's estimate of 18,820 jobs within the City, jobs and housing balance is 1.43.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 116 shows, the majority of housing units in Morgan Hill are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the City of Morgan Hill's assigned housing need is 928 units. In February 2015, Morgan Hill adopted its 2015-2023 Housing Element and

demonstrated that it has sites and housing opportunities available to accommodate 1,378 units, which is 450 units more than its assigned regional share of 928 units. The City of Morgan Hill's housing element was certified by the State of California's Housing and Community Development Department in April 2015.

Table 116. City of Morgan Hill Housing Profile

Housing Statistic	Number
Number of total existing housing units	13,129
Owner-occupied (SFR) housing units	9,094
Renter-occupied housing units	3,565
RHNA by income category	2014 to 2022
Above moderate	316
Moderate	185
Low	154
Very Low	273
Total	928

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

11.2.3 Planning and Building

In calendar year (CY) 2014, Morgan Hill issued a total of 1,966 residential and commercial building permits. Total building permit valuation is estimated at \$117,763,364.

The City's total assessed valuation for FY 2014 is approximately \$6.6 billion. This represents a 3% increase from FY 2009.

11.2.4 Priority Development Areas

Morgan Hill has one planned PDA in its downtown that will be a future transit town center. In total, the PDA includes 150 net acres and is accessible by CalTrain and VTA's bus and community shuttle services. The City has adopted a Downtown Specific Plan that includes detailed plans and information about this area. The City is considering an expansion of the PDA along the Monterey Road corridor.

Staff noted that due to the presence of the FEMA designated 100-year flood plain throughout much of the PDA, development could be impeded. The Santa Clara Valley Water District is sponsoring the design of a large flood control project that, when completed, will likely remove the flood plain from the PDA. The flood control project is projected to be completed by the year 2020 pending full funding for construction. Until that project is completed and the flood plain map is subsequently amended, development in the PDA must adhere to the requirements of building in a designated flood plain which can be costly to comply with.

11.2.5 Planning for an Aging Population

The City is working to incorporate the needs of its aging population as part of its general plan update process. According to staff, the City is mindful of opportunities to create walkable environments and options for higher densities close to the downtown core. The City has recently revised its service delivery model for providing senior services based on recommendations from a committee of stakeholders composed of community members, representatives from local senior organizations, and professionals in the field of aging services. The City plans to use this new delivery model to increase services provided at

the City's Senior Center and in the community, via increased partnerships with community based organizations and other government service providers.

11.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

11.3.1 Planning Boundaries

The City's USA is smaller than its municipal boundaries, as shown in Figure 25. In addition, two unincorporated areas exist within the City's USA and are discussed in section 11.3.2.

The City is currently preparing a new general plan as noted in section 11.2.1. All scenarios being considered for the new general plan include some modifications to the City's USA. The draft Preferred Land Use Plan, being analyzed as part of the General Plan Update, anticipates some modifications to the City's USA and identifies approximately 660 acres of land that could be annexed in order to implement the Plan.

While the City is considering plans to amend its USA, it is not proposing modification to its SOI within the next five years. As discussed in section 11.3.2, the City provides water service to one area outside of its boundaries but within its USA.

11.3.2 Unincorporated Islands

Two unincorporated islands exist within the City of Morgan Hill's USA. The larger island, referred to as MH01 or Holiday Lake Estates, is approximately 121 acres of private residential development on smaller lots along the City's eastern border. As of 2015, the City provides water to this island. According to staff, the City studied annexing this area in 2009 and concluded that an assessment district or other mechanism would be needed to develop the necessary municipal infrastructure. Most residences in Holiday Lake Estates are on septic systems, and annexation would require residents to assume the costs to obtain wastewater service provision. Because it did not appear that there was sufficient support for an assessment, the City has no plans to annex MH01. However, if the residents of that area decided it was in their best interest to annex into the City and pay the associated costs for connecting to the City's sewer system, the City would be open to annexation and studying its full impact.

The smaller island, MH02, is approximately 20 acres. The parcels comprising MH02 are split such that some parcels extend into the hills. According to staff, the properties are not developed. At least one property owner has expressed interest in annexation by the City. The City has not indicated interest in annexing portions of this island. Maps of each city's unincorporated islands are included in Attachment B.

11.3.3 Disadvantaged Unincorporated Communities (DUCs)

State law defines a disadvantaged unincorporated community (DUC) as a community with an annual median household income that is less than 80% of the statewide annual median household income (less than \$48,875) and where 12 or more registered voters reside. Based on this definition, one DUC was identified within or contiguous to the City of Morgan Hill's SOI. Figure 26 shows a map of the identified DUC, and Table 117 shows additional detail about Morgan Hill's DUC.

Table 117. Morgan Hill DUC

Identified DUC	Location	Land Uses	SERVICE PROVIDERS		
			Wastewater	Water	Fire Protection

MH DUC #1	West of Highway 101, south of Tennant Road and Butterfield Blvd., east of Monterey Road, including Crowner Ave.	Farmlands, rural residential, industrial, Crowner Subdivision	On-site septic	On-site wells or Mecchi Mutual Water Company by wells	South County Fire Protection District
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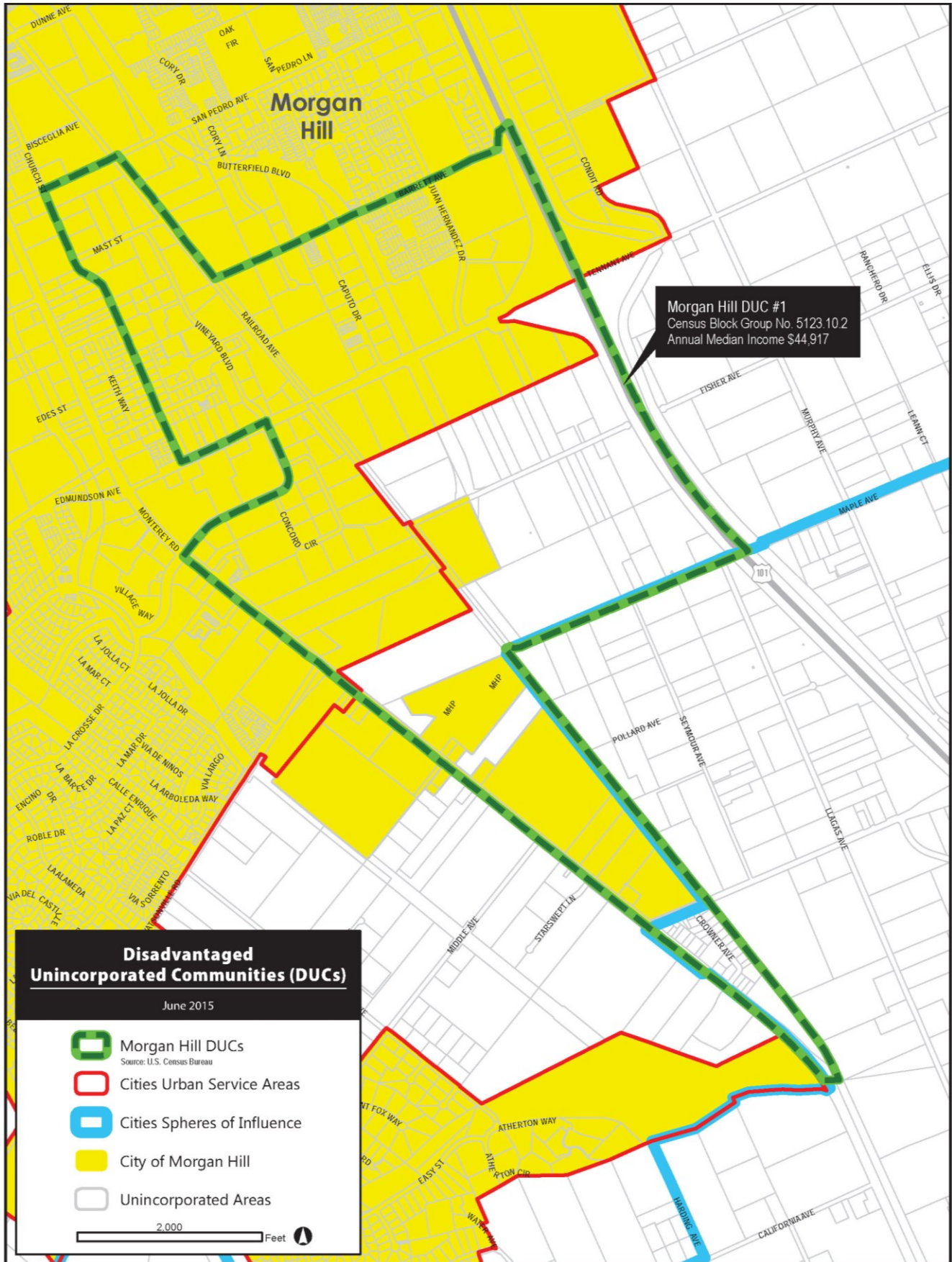
Source: LAFCO Staff

The DUC (i.e. MH DUC #1) is located at the southern edge of the city, approximately west of Highway 101, south of Tennant Road and Butterfield Boulevard, east of Monterey Road and includes Crowner Avenue. The DUC includes primarily farmland, scattered rural residences, a commercial use (i.e., landscaping and construction materials), and a small cluster of homes located on Crowner Avenue (i.e., Crowner Subdivision).

The DUC receives fire protection service from the South Santa Clara County Fire Protection District. The County of Santa Clara does not provide urban services. In rural unincorporated areas, such as this DUC, wastewater and water services are primarily provided onsite through individual septic systems and wells. The Crowner Subdivision consists of approximately 30 homes and 5 vacant parcels. Parcels within the Subdivision are 8,712 to 30,492 sq. ft. in size. Each home is served by an individual onsite septic system and receives water from Mecchi Mutual Water Company (MMWC) from a single shared well that is located in the subdivision.

The MMWC is experiencing operational issues due to the deferred maintenance of its aging infrastructure. The proximity of septic systems to MMWC's onsite well, small parcel sizes, and aging and limited maintenance of the infrastructure has resulted in water quality issues. State Water Resources Control Board (SWRCB) staff has been monitoring the MMWC and has indicated that MMWC needs to upgrade and replace its infrastructure. The MMWC does not have the financial resources or expertise to make the necessary improvements. SWRCB staff has considered placing the MMWC into receivership, but has not been able to find a suitable receiver.

Figure 26. Disadvantaged Unincorporated Community in Morgan Hill



A representative of MMWC also contacted LAFCO in order to explore how MMWC, as a DUC, may become eligible for obtaining funding for infrastructure upgrades. LAFCO staff discussed this issue with SWRCB staff who indicated that the current financial assistance programs available at the state level, such as grants, are primarily for public agencies; and not private water companies, such as MMWC.

11.4 City Services

In Morgan Hill, core municipal services are primarily delivered by City staff. The primary service provider for the major municipal services discussed in this report is summarized in Table 118.

Unless specifically noted, the City of Morgan Hill did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas for a population of up to 70,000.

Table 118. City of Morgan Hill Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	City	
Law Enforcement	City	
Library	JPA	Santa Clara County Library District
Parks and Recreation	City and Non-profit partners	YMCA of Silicon Valley Centennial Recreation Center Partnership Agreement Morgan Hill Youth Sports Alliance (Outdoor Sports Center)
Planning/Building	City	
Solid Waste	Franchise Agreement	Recology South Valley
Streets	City	
Stormwater	City	
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T, Charter Communications (State-Issued Franchise), Verizon
Wastewater Collection	City	
Wastewater Treatment	JPA	South County Regional Wastewater Authority (SCRWA)

Source: City website and City Staff interviews

In the past five years, the City has not stopped providing any municipal services. Given the expected population growth for the City of Morgan Hill, City staff does not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

11.4.1 Animal Control

The City provides animal control within Morgan Hill. In FY 2014 total City expenditures for this function were \$138,464. Service level statistics are included in Attachment A.

11.4.2 Law Enforcement

The City of Morgan Hill provides law enforcement and dispatch services within City limits. In total, there are 39 sworn officers. During FY 2014, there were 34,354 calls for service. The City reports that response time for Priority One calls averaged 4 minutes and 30 seconds. The City's goal for response time for Priority One calls is 5 minutes.

In FY 2014, total City expenditures on this function were \$12,933,159. Approximately 43% of the City's General Fund is dedicated to law enforcement.

Through an agreement, both Gilroy and Morgan Hill have access to SWAT and negotiation team services.

11.4.3 Library

The Santa Clara County Library District provides library services within the City of Morgan Hill. There is one facility located within the City, which the City owns. Annual print circulation exceeds 785,665, and 283,579 digital books are available for download to library patrons countywide.

11.4.4 Lighting

Lighting within the City is provided and maintained by the City. A summary of lighting infrastructure is provided in Attachment A.

11.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. FY 2014 total expenditures for parks and recreation were \$6,538,406. The City has 22 parks and a total of 470 acres of park and open space land that is publicly accessible. In November 2014, City staff issued the "Infrastructure Report," highlighting the funding needs for each of the City's infrastructure categories. Although all parks and trails are currently maintained at satisfactory levels, park maintenance is one of the key areas where staff expressed the need to identify revenue sources to fund extensive future replacement needs. The City reports 11.8 park acres per 1,000 population,

The City operates two community centers, one teen center, one senior center, and four swimming pools. The City's Centennial Recreation Center and senior center is jointly operated with the YMCA of Silicon Valley through a partnership agreement.

11.4.6 Solid Waste

The City of Morgan Hill receives solid waste services through a franchise agreement with Recology South Valley. In FY 2014, City expenditures for public solid waste services were \$209,855.

In FY 2013, Morgan Hill disposed of 39,000 tons of solid waste. Morgan Hill offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the City's amount of pounds of solid waste disposed per person per day was 5.3 for its general population, meeting the state's goal for the community of 6.1 pounds. The pounds of solid waste per person per day for employees in the community was 15.1, meeting the state's goal for the community of 16.3 pounds. No solid waste disposal facility is located within Morgan Hill.

11.4.7 Streets

The City of Morgan Hill maintains 258 lane miles and expends approximately \$1,829,648 annually on street-related expenditures. The number of sidewalk miles maintained by the City was not available at the time of the Cities Service Review. Recology South Valley is the contract service provider for street sweeping. The number of street trees maintained by the City was not available at the time of the Cities Service Review. The City's pavement condition index (PCI) is 70.

11.4.8 Stormwater

The stormwater system is planned and designed by the Public Works Department. Flood plain management is also managed by the Public Works Department. The City's Community Services Department is responsible for the maintenance of the storm drain facilities. A very large flood control project managed by the Corps of Engineers and the Santa Clara Valley Water District is nearing the final stages of design that, when built, will significantly reduce flooding in the City and remove many public and private properties from the 100-year flood plain. The cities of Morgan Hill and Gilroy jointly fund a staff position dedicated to monitoring federal and state compliance requirements for stormwater management. The City reports that it is compliant with NPDES standards.

The stormwater quality regulatory requirements have evolved significantly over the past several years affecting development design, capital project implementation, and maintenance activities.

11.4.9 Utilities

PG&E is the electricity and gas provider within Morgan Hill. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the City of Morgan Hill. The City did not indicate concerns about PG&E's ability to serve Morgan Hill's existing population or its future demand for energy and natural gas.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Morgan Hill are AT&T, Charter Communications, and Verizon. Morgan Hill staff reported that there are minor gaps in telecommunication and high-speed internet services, but the City does not track these service gaps because these are not services they provide.

11.4.10 Wastewater

The City of Morgan Hill receives wastewater treatment services through the SCRWA. There are 160 miles of sewer within the City.

The City's wastewater is treated at the SCRWA wastewater treatment plant in Gilroy. CH2MHill is the contract operator for the plant. The plant was rebuilt in 1995 and has capacity for 8.5 MGD. Currently, the plant treats about 6 to 6.2 MGD to the tertiary standard. Replacement needs are anticipated and a replacement program is being developed. Sludge is turned into compost and subsequently sold. Recycled water is available within the City.

11.5 Financial Information

The following section provides key financial data points related to Morgan Hill's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Morgan Hill's total citywide expenditures exceeded \$63.6 million. Approximately 45% (\$28.8 million) of these expenditures constituted General Fund expenditures.

11.5.1 Revenues and Expenditures

The City's primary source of revenue is property tax. Since FY 2009 property tax revenue has increased by about \$0.9 million (12%), which now includes the excess property tax increment previously collected by the City's former redevelopment agency that was dissolved by the state in 2012. Sales tax revenue in Morgan Hill in FY 2014 is significantly above pre-Great Recession levels. Since FY 2009, sales tax revenue has increased by \$3 million, or about 52% (see Table 119).

Table 119. City of Morgan Hill Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Property Tax	\$6,926,194	\$7,782,990
Sales Tax	\$5,680,409	\$8,640,396
Utility Users Tax	N/A	N/A

Source: CAFR

A summary of the City's General Fund revenues and expenditures is shown in Table 120.

Table 120. City of Morgan Hill Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$23,679,103	\$30,249,585
Total General Fund Expenditures	\$25,975,603	\$28,796,185
Top Four Sources of General Fund Revenues		
Sales Tax	\$5,680,409	\$8,640,396
Property Tax and Special Assessments	\$6,926,194	\$7,782,990
Charges for Current Services	\$6,300,566	\$7,344,568
Franchise, Hotel and Other Taxes	\$2,429,152	\$3,786,751
Top Four Sources of General Fund Expenditures		
Public Safety	\$15,612,022	\$17,224,791
Parks and Recreation	\$6,333,076	\$6,538,406
General Government	\$3,737,421	\$2,923,290
Streets & Highways	\$0	\$1,829,648

Source: CAFR

11.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 121.

Table 121. City of Morgan Hill Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$12,265,000	\$10,843,867
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.7%	0.2%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	1.6%	3.8%
Unfunded pension liability	See Note	\$31,822,238

Source: CAFR

Note: City's pension plans participated in CalPERS Risk Pool for FY 2009. Thus, funding status is not available.

11.5.3 Reserves

Morgan Hill's unassigned General Fund reserve levels have increased since FY 2009. Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the City (see Table 122).

Table 122. City of Morgan Hill Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$8,343,680	\$12,025,157
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$0	\$0

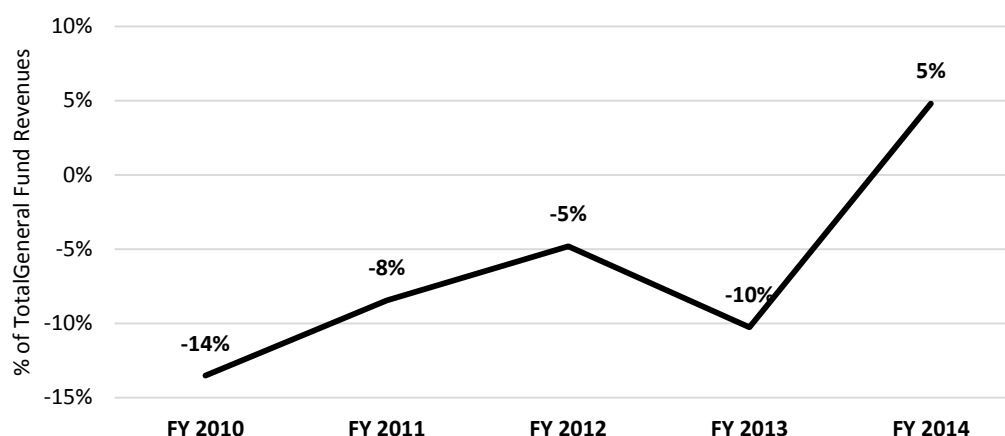
Source: CAFR

11.5.4 Financial Health Indicators

Using select indicators from the League of California Cities' Financial Health Diagnostic Tool, the City of Morgan Hill is in positive fiscal health.

Over the past year the City has had an annual surplus in the General Fund. The City's General Fund surplus has increased by 19 percentage points since FY 2010, an indicator of improving fiscal health. The trend of the City's General Fund deficit/surplus is shown in Figure 27.

Figure 27. City of Morgan Hill Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

The City's adopted FY 2016 General Fund budget includes a five-year financial plan that anticipates drawing down its reserves to the minimum 25% reserve threshold by FY 2020 to invest in its street infrastructure by setting aside \$1.1 million per year. The City prepared a Public Infrastructure Financing Report, adopted by the City Council in April 2015, indicating an annual \$5.8 million gap in its capital improvement funding based on an overall Capital Improvement Program budget of \$94 million. The City has generally been conservative in its budget estimations and actual performance typically exceeds budgeted forecasts.

The City is currently conducting a revenue enhancement study, including a Community Needs survey to determine community perspective and to develop recommendations including a potential ballot measure to finance the public infrastructure funding gap indicated earlier.

Table 123 shows the City's General Fund Fiscal Indicators. The City's long-term fiscal health is positive as the City continues to address its long-term financial needs as mentioned above. The City's liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 41.8% greatly exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 123. City of Morgan Hill General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus ¹	-5.2%
FY 2014	Liquidity Ratio ²	7.4
FY 2014	Fund Balance as percent of Expenditures ³	41.8%

Source: CAFR, City Finance Staff

¹ Amount reported by City based on FY 2015 year-end projections

² Calculated by combining cash and short-term investments and then dividing by current liabilities

³ Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

11.5.5 Financial Reporting

The City's CAFR is prepared in a timely manner and audited by an independent CPA. See Table 124.

Table 124. City of Morgan Hill Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

11.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Morgan Hill.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Morgan Hill serves 41,779 residents within its 12.91 square mile incorporated area. ABAG projects that the City's population will grow steadily by approximately 1% per year, leading to a population of 50,800 in 2040.

The City has two unincorporated islands that comprise approximately 141 acres. The City does not have plans to annex the larger of these two (120 acres), but the City might be willing to do so if it can establish an assessment district or other mechanism to develop the necessary municipal infrastructure. The City has not indicated that it will annex the smaller, 20-acre unincorporated area, which consists of mostly undeveloped property.

The City has identified sufficient housing opportunities to meet its RHNA of 928 housing units between 2014 and 2022. Morgan Hill has one planned PDA in its downtown that will be a future transit town center. Staff noted there may be a flood plain issue that could impede development within the PDA. Addressing this will be expensive, but staff believe it is an impediment that can be overcome.

The City's most recent general plan was adopted in July 25, 2001, but has updated various components including its most recent revisions in February, 2010. The City is in the process of preparing a new general plan, which is expected to be adopted in 2016.

The City's existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

One DUC was identified outside and contiguous to Morgan Hill's SOI. The DUC consists mostly of farmlands, rural residential sites, industrial uses, and the Crowner Subdivision. The City does not currently provide services to this DUC, and there have been concerns raised relative to the reliable provision of water services for the area as provided by a single shared well operated by the Mecchi Mutual Water Company.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCS WITHIN OR CONTIGUOUS TO THE SOI

City staff noted that, given new regulations coming into effect, the City is concerned about unfunded state mandates related to stormwater infrastructure maintenance. As a result of these regulations, the City anticipates future costs to address its aging stormwater system and related deferred maintenance. In addition, the Army Corps of Engineers has not issued its final report on flood prevention requirements for an area near Monterey Road that could have a significant impact on the City's stormwater system and providing ongoing maintenance in that area.

The City of Morgan Hill does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

The Mecchi Mutual Water Company (MMWC) is experiencing operational issues due to the deferred maintenance of its aging infrastructure. The MMWC does not have the financial resources or expertise to make the necessary improvements. The State Water Resources Control Board (SWRCB) has considered placing the MMWC into receivership, but has not been able to find a suitable receiver. LAFCO staff will need to work with the MMWC, the state and neighboring water service providers to explore options for addressing the identified financial and infrastructure issues.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Morgan Hill's General Fund operated at a deficit for each year from FY 2010 to FY 2013, but operated at a surplus in FY 2014 in light of economic recovery from the Great Recession and expenditure reductions implemented. The City expects to draw down its General Fund reserves to the minimum 25% reserve threshold established by City Council policy by FY 2020 unless an alternative funding source is identified to meet its public infrastructure funding needs. Morgan Hill's General Fund reserves of 41.8% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City's ability to meet future service needs in the event of an economic downturn. In addition, the City's liquidity ratio of 7:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of Morgan Hill has sufficient financial resources to accommodate its basic infrastructure needs in the next five years as it addresses sustainable funding strategies for

its long-term public infrastructure needs. One area of additional potential concern is stormwater, as discussed under Determination Three.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Morgan Hill is engaged in service sharing agreements as identified in Table 125 below.

Table 125. Summary of Shared Services in the City of Morgan Hill

Service Area	Type of Sharing Arrangement	Partnering Entity
Environmental Services	JPA	Santa Clara Valley Habitat Agency
Law Enforcement – Special Operations (SWAT, Negotiation Team)	Joint Task Force	Shared between Morgan Hill and Gilroy
Law Enforcement – Radio Communications	JPA	SVRIA
Library Services	JPA	SCCLD
Public Works – Environmental Services Manager	MOU	Morgan Hill (shared with Gilroy)
Stormwater	MOU	SCVURPPP
Wastewater Treatment	JPA	SCRWA

The City would like to explore other opportunities for collaboration of shared services to address issues such as housing and transportation.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Morgan Hill provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of Morgan Hill promotes accountability for its community service needs.

11.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The City's SOI Boundary, established in 1984 and reaffirmed in 2006, was delineated to be considerably larger than the City's boundary. The City's SOI Boundary was not a commitment to staging urban expansion but rather a planning tool for LAFCO to use as a framework in considering

expansion actions. The City's SOI Boundary also delineated areas in which the City and the County have shared interests in preserving non-urban land uses.

It is recommended that LAFCO reaffirm the City of Morgan Hill's existing SOI boundary because the City's SOI boundary serves multiple purposes including serving as:

- A long range planning tool to help LAFCO evaluate USA boundary changes and annexation requests.
- Areas that will not necessarily be annexed to the City or will not necessarily receive services from Morgan Hill, but are areas in which the County and Morgan Hill may have shared interests in preserving non-urban levels of land use. Specific examples include the foothills and ridgelines surrounding the City. Furthermore, both the City and the County share a mutual interest in protecting view sheds, farmlands, and natural resources.
- Areas where the City and the County have significant interaction.
- Areas that contain social and economic communities of interest to the City, such as areas within the City's jurisdictional boundaries.

In making this recommendation, it should be made clear that inclusion of an area within the City's SOI boundary should not necessarily be seen as an indication that the City will or should either annex or allow urban development and services in the area. The City's USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether the areas will be annexed and provided urban services.

SOI DETERMINATIONS FOR THE CITY OF MORGAN HILL

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Morgan Hill's service review profile in this chapter, the following determinations are provided to update the City's existing SOI

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

A variety of urban uses are planned within Morgan Hill's USA boundary. The County's and City's general plans call for the continuation of non-urban uses beyond the City's USA boundary.

2. The Present and Probable Need for Public Facilities and Services in the Area

The need for a full range of public facilities and services is expected to grow modestly in the future.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Morgan Hill is still in the process of addressing the impacts that state mandates will have related to stormwater infrastructure maintenance on budgetary and operational resources, as indicated in the City's service review determination #3 above. In addition, the City awaits a final report on flood prevention requirements from the Army Corps of Engineers for an area near Monterey Road that could have a significant impact on the City's stormwater system and providing ongoing maintenance in that area.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There exist social and economic conditions that cause interaction and interdependence between the City and the areas within its SOI boundary.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

The Crowner subdivision, for which concerns exist relative to the reliable provision of water services for the area, is located outside of the City's sphere. The City, LAFCO, MMWC and other neighboring water service providers will need to work together to evaluate what options might exist to ensure that this area can be adequately served with a reliable water source.

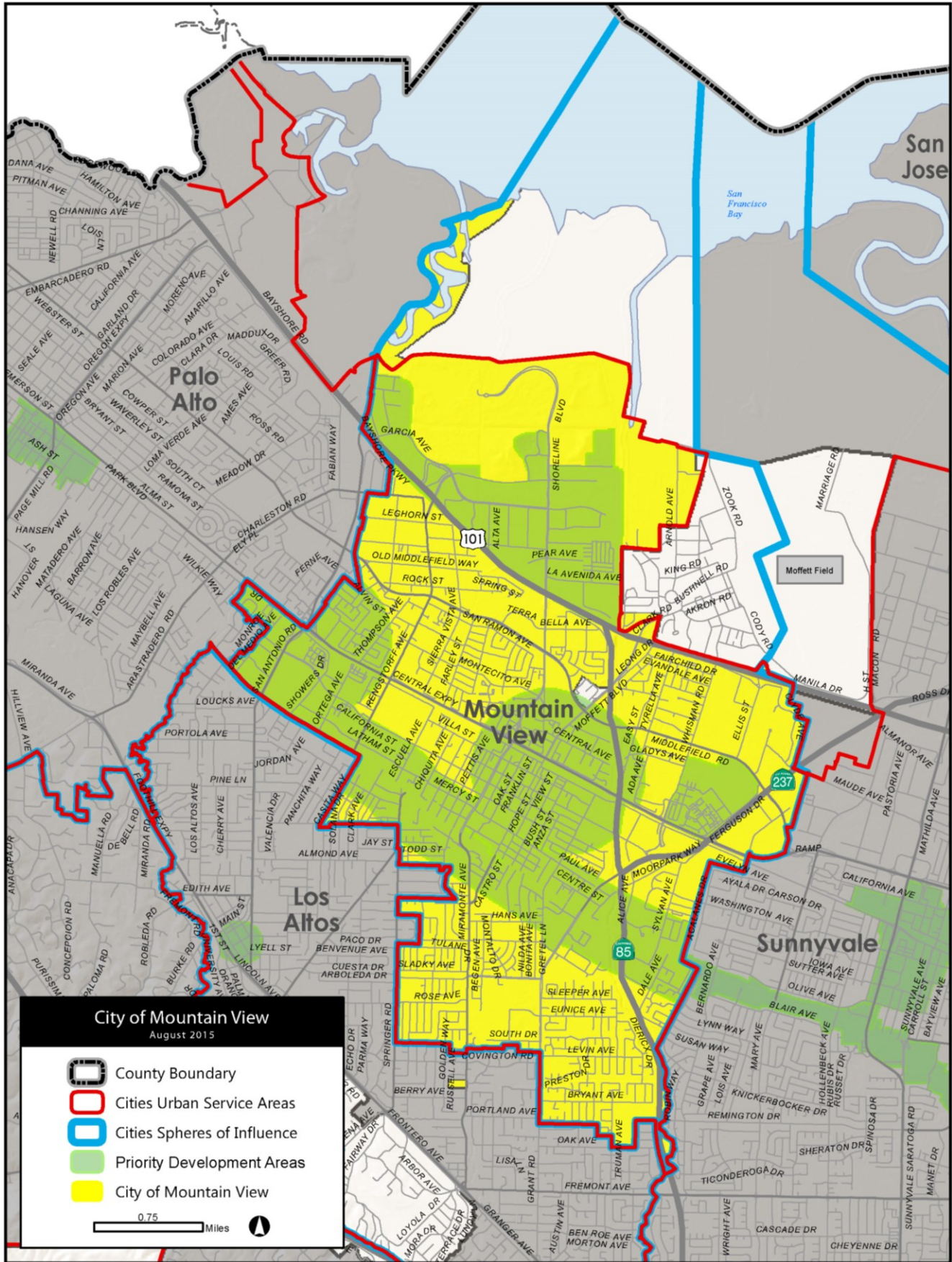
12 City of Mountain View



12.1 Agency Overview

The City of Mountain View was incorporated in November 1902. According to the California DOF 2015 estimates, the population of Mountain View is 77,914. As of 2015, the City's incorporated area spans 12.20 square miles. Surrounded by the cities of Los Altos, Palo Alto and Sunnyvale, Mountain View is located in the northern part of Santa Clara County. The City is home to NASA Ames Research Center and retains a diverse mix of land use, including residential, commercial and industrial. As of 2015, Mountain View's USA spans 11.88 square miles, and its SOI encompasses 16.36 square miles. These boundaries can be seen in Figure 28.

Figure 28. City of Mountain View Existing Boundaries



12.1.1 City Staffing

In FY 2014, total City staffing included 568.3 FTE employees. As shown in Table 126, the greatest number of FTEs is assigned to the police function.

Table 126. City of Mountain View Staffing in Top Four Functions

City Staffing by Major Service Function	FY 2014 FTEs
Police	140.0
Culture and Recreation	111.8
Fire	79.6
General Government	74.8

Source: CAFR

12.1.2 Form of Government

Mountain View is a charter city that operates under a council-manager form of government. The City Council consists of seven members who are elected at large. Council members serve four-year terms and select a mayor and vice mayor annually.

12.1.3 Joint Powers Authorities

The City of Mountain View is a member of two JPAs, as shown in Table 127.

Table 127. City of Mountain View Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Community Health Awareness Council	Counseling/mental health services to children, teens, and families in Mountain View, Los Altos, or Los Altos Hills
Congestion Management Agency	Administration of the traffic congestion management program in Santa Clara County, administered by the Valley Transportation Authority
Education Enhancement Reserve JPA	Support public schools in cooperation with Shoreline Regional Park Community, the Mountain View Los Altos Union High School District, and the Mountain View Whisman School District
Pacific Library Partnership	Access to public library resources and services in Alameda, Contra Costa, San Francisco, San Mateo, Monterey, Santa Cruz, San Benito, and Santa Clara counties
Silicon Valley Animal Control Authority	Animal control services
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability

Source: City website and City staff interviews

12.1.4 Awards and Recognition

The City of Mountain View has been the recipient of several awards between 2010 and 2015, as shown in Table 128.

Table 128. City of Mountain View Recent Awards

Name of Award	Issuer	Year(s) Received
Award for Excellence in Financial Reporting	Government Finance Officers Association	2010-15
Award for Distinguished Budget Presentation	Government Finance Officers Association	2010-15
Silver Level Bicycle Friendly Community	League of American Bicyclists	2010-15
Multilingual Community Outreach Program – Model Program Recognition	National League of Cities	2010-15
Award for Achievement of Excellence in Procurement	National Purchasing Institute	2010-15
Award for Excellence in Operational Budgeting	California Society of Municipal Finance Officers (CSMFO)	2010-15
Award for Excellence in Public Communications	CSMFO	2010-12
Recognition – Largest number of solar power generating rooftops of any City in California	Environment California	2010-15
“Moving Forward Award” for Improving Labor Relations	California Public Employers Labor Relations Association	2012
LEED Gold Certification – Fire Station 5	United States Green Building Council	2012
North Bayshore Precise Plan	American Planning Association	2015

Source: City of Mountain View staff

12.2 Growth and Population

12.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region’s generation of GHGs consistent with state goals for GHG reduction. “Plan Bay Area” is this region’s SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO’s goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region’s population, housing, and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG’s projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The City of Mountain View developed its own population and employment projections for its 2030 general plan (adopted in 2012). For its general plan, the City assumed population for its forecast year of 2030 would be 86,330 (Table 3.1 of the City’s general plan) and employment would be 80,820, considerably higher than projected by ABAG as shown Table 129.

ABAG’s projections for population, households (occupied housing units) and jobs are shown in Table 129.

Table 129. City of Mountain View Population, Job, and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
ABAG							
Population	74,066	78,000	82,000	86,100	90,500	95,200	100,000
Total Jobs	47,950	52,040	56,550	57,940	59,390	61,440	63,590
Total Households	31,957	33,570	35,240	36,830	38,510	40,130	41,800
City of Mountain View							
Population	73,860 ¹				88,570		
Total Jobs	60,460 ¹				87,570		

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections. City Projections from Table 3.1 of general plan.

¹Estimates were calculated by City staff for 2009, which the City used as a baseline.

City staff indicated they believe the ABAG long-term job projections are understated for Mountain View, as discussed in 14.2.2.

12.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 52,040 jobs within the community and 42,310 employed residents. Using ABAG estimates, there are 1.23 jobs for every employed resident in Mountain View. However, City staff use the U.S. Census American Community Survey employment estimates, which reports 79,239 jobs within the community and 44,167 employed residents. Using the American Community Survey estimates, there are 1.79 jobs for every employed resident, which staff believe is more accurate. The U.S. Census American Community Survey 2013 estimates that Mountain View has 33,468 housing units; when combined with ABAG's estimate of 52,040 jobs within the City, jobs and housing balance is 1.55.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 130 shows, the majority of housing units in Mountain View are renter-occupied housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the City of Mountain View's assigned housing need is 2,926 units. In October 2014, Mountain View adopted its 2015-2023 Housing Element and demonstrated that projects approved, under construction or constructed since the beginning of this RHNA cycle on January 1, 2014 totaled 2,056 units.

While Mountain View has already approved or constructed housing that exceeded its RHNA quota for above-moderate-income housing, it has a remaining RHNA obligation of 1,665 units of moderate-, low- and very low-income housing. The Housing Element demonstrates the City has sites for 1,990 units for very low-, low- and moderate-income housing, and additional sites for 1,176 units of above-moderate-income housing.

In total, the City has sites and housing opportunities available to accommodate 3,166 units. When both potential sites and approved sites are considered, the City has a surplus of 240 units over its assigned regional share of 2,926 units. The City of Mountain View's housing element was certified by the State of California's Housing and Community Development Department in December 2014.

Table 130. City of Mountain View Housing Profile

Housing Statistic	Number
Number of total existing housing units	33,468
Owner-occupied (SFR) housing units	13,406
Renter-occupied housing units	18,641
RHNA by income category	2014 to 2022
Above moderate	1,093
Moderate	527
Low	492
Very Low	814
Total	2,926

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

12.2.3 Planning and Building

In calendar year (CY) 2014, Mountain View issued a total of 8,109 residential and commercial building permits. Total building permit valuation is estimated at \$557,227,055.

The City's total assessed valuation for FY 2014 is approximately \$18.8 billion. This represents a 23% increase from FY 2009.

12.2.4 Priority Development Areas

The City has five priority development areas; four are potential PDAs (see section 22.1.4 for complete definition) and one is a planned PDA. The planned PDA spans 552 net acres in downtown Mountain View and is a transit town center served by Cal Train and VTA's bus rapid transit and light rail systems. The four potential PDAs include a mixed use corridor along El Camino Real (spanning net 726 acres), a suburban center in North Bayshore (683 net acres), a transit town center along San Antonio Avenue (365 net acres) and a transit neighborhood in Whisman Station (132 net acres). The City has precise plans for the proposed El Camino Real and San Antonio PDAs and the planned downtown PDA. A precise plan for East Whisman will be developed beginning in 2016.

Staff indicated that supporting the proposed PDAs would require some infrastructure work, including upsizing of utilities. There is interest in increasing the City's housing stock, especially to address the jobs-housing imbalance and growing congestion within the City, which is acute in the North Bayshore region where Google and LinkedIn's corporate headquarters are located.

12.2.5 Planning for an Aging Population

The City of Mountain View is working to accommodate the needs of its aging population through community development policies that favor connectivity. The City is focused on creating more housing opportunities that promote connectivity to the downtown and transportation. According to staff, both Millennials and seniors who want to age in place want transit-oriented, high density housing. Policies to promote this type of development can be found in the City's Housing Element that was adopted in 2014.

In addition to these policies, the City constructed a new senior center in 2007. The design of the center incorporated as much flexibility of use as possible to serve seniors and changing senior needs. According to staff, the Mountain View Senior Center offers robust programming and a popular lunch program that

attracts seniors from neighboring communities. The Avenidas Rose Kleiner Center, which provides affordable daytime care for seniors, is co-located on the same site as the Senior Center.

12.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

12.3.1 Planning Boundaries

The City's USA and municipal boundaries are nearly contiguous with the exception of two unincorporated islands and the Moffett Field/NASA Ames Research Center. The USAs of Mountain View and Sunnyvale bisect Moffett Field and its federal research park. More information about Moffett Field can be found in chapter 18.

Moffett Field is located in the northeastern portion of the City, but does not receive municipal services from Mountain View, other than wastewater collection and treatment services that also include a sewer main easement used to serve NASA Ames Research.

With the exception of limited sewer service, the City is not currently providing services to the area outside of its city boundaries but within its USA. Planetary Ventures, LLC (a wholly-owned subsidiary of Google) has entered into a lease agreement with the federal government for portions of Moffett Field that are within the City's USA. However, all municipal-type services are provided to Planetary Ventures by Moffett Field through the lease agreement. The City does not have plans to provide municipal services to that area.

The City has no plans to amend its USA or SOI within the next five years.

12.3.2 Unincorporated Islands

Two unincorporated islands exist within the City of Mountain View's USA. The smaller island, referred to as MV01 (5.7 acres), is located in the North Bayshore region of the City. The larger island, known as MV02, is situated outside the City's downtown area at the intersection of Middlefield Road and Moffett Boulevard. Staff was not aware of any development or services being provided to MV01.

MV02 (19.3 acres) consists of a residential development known as Mariner Island and open space that is the property of the federal government. According to staff, the Army is interested in disposing of this parcel, but likely not through the traditional surplus process. The City reported interest in MV02 as a potential future site for housing. There are no immediate plans to annex either island. In the event that ownership of MV02 changes, annexation may be discussed in the future. Both parcels are eligible for streamlined annexation due to their small size.

Maps of each city's unincorporated islands are included in Attachment B.

12.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the City of Mountain View.

12.4 City Services

In Mountain View core municipal services are delivered primarily by City staff. The primary service provider for the major municipal services discussed in this report is summarized in Table 131.

Unless specifically noted, the City of Mountain View did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 131. City of Mountain View Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	JPA	Silicon Valley Animal Control Authority
Law Enforcement	City	
Library	City	
Parks and Recreation	City	
Planning/Building	City	
Solid Waste	Franchise Agreement	Recology Mountain View
Streets	City	
Stormwater	City	
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T, Comcast (State-Issued Franchise)
Wastewater	Partnership Agreement ¹	City of Palo Alto

Source: City website and City Staff interviews

¹The Palo Alto Regional Water Quality Control Plant is a partnership agreement among several public agencies. The City of Palo Alto is the owner and operator of the Regional Water Quality Control Plant. The cities of Mountain View, Los Altos, Los Altos Hills along with Stanford University and East Palo Alto Sanitary District have agreements to use a portion of the plant's capacity. Through this partnership agreement, all six agencies proportionately share in the costs of building and maintaining the facility.

In the past five years the City has not stopped providing any municipal services. In January 2015, the City began providing community shuttle services. This two-year pilot program is funded by Google and provides free shuttle service to 50 locations throughout the City. The vehicles used for shuttle service are all-electric and offer wireless internet to riders.

Given the expected population growth for the City of Mountain View, City staff does not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

12.4.1 Animal Control

SVACA is the service provider for animal control within the City of Mountain View. In FY 2014 total City expenditures for this function were \$471,418. Service level statistics are included in Attachment A.

12.4.2 Law Enforcement

The City of Mountain View provides law enforcement and dispatch services within the City limits. In total, the Mountain View Police Department has 96 sworn officers. During FY 2014, there were 72,318 calls for service. The City reports that response time for Priority One calls averaged 3 minutes and 44 seconds. The City's goal for response time for Priority One calls is 4 minutes.

In FY 2014, total City expenditures on this function were \$30,447,000. Approximately 28.5% of the City's General Fund is dedicated to law enforcement.

In addition to core law enforcement services, the City of Mountain View provides School Resource Officers, SWAT and K-9 specialized services.

12.4.3 Library

The City provides library services within the City of Mountain View. There is one facility located within the City and there is one mobile library. Annual print circulation exceeds 1.6 million, and nearly 12,000 digital books are available for download to library patrons.

12.4.4 Lighting

Lighting within the City is provided and maintained by the City. According to City staff, select areas of the City are now being served by LED streetlights. The City will continue installing LED streetlights in FY 2015-16. A summary of lighting infrastructure is provided in Attachment A.

12.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. FY 2014 total expenditures for parks and recreation were \$12,754,319. The City has 40 parks and a total of 196 park acres. In addition, 908 acres of open space owned by the City are publicly accessible. The City's desired ratio is three municipal park acres per 1,000 residents. In 2010 (the most recent year for which data is available), the City provided 13.5 acres of parkland per 1,000 residents. Data includes park acres from the City's Shoreline Regional Park and the Stevens Creek trail. The City reports 2.6 acres of community municipal parks per 1,000 residents, excluding Shoreline Regional Park and Stevens Creek Trail. The City aims to increase its target to five municipal park acres per 1,000 residents. To achieve this, the City has added several new parks in the last five years and has several more in the design stages.

The City operates one community center, one senior center, one teen center, one golf course and two swimming pools. The City has joint use agreements for 13 elementary and middle school sites with the Mountain View-Whisman School District, which includes use of gyms and fields.

12.4.6 Solid Waste

The City of Mountain View receives solid waste services through a franchise agreement with Recology Mountain View. In FY 2014, City expenditures for public solid waste services were \$12,124,000.

In CY 2013, Mountain View disposed of 51,172 tons of solid waste. Mountain View offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the City's amount of pounds of solid waste disposed per person per day was 3.7 for its general population, meeting the state's goal for the community of 7.8 pounds. The pounds of solid waste per person per day for employees in the community was 3.8, meeting the state's goal for the community of 10.9 pounds. One solid waste disposal facility is located within Mountain View.

12.4.7 Streets

The City of Mountain View maintains 332 lane miles, 630 sidewalk miles and 28,579 street trees. The City expends approximately \$4,405,000 annually on street-related expenditures. Street sweeping is provided by the City. The City's pavement condition index (PCI) is 70, which falls below its PCI goal of 75.

12.4.8 Stormwater

The City's stormwater system is managed and maintained by the City's Public Works Department. The City has received funding for its stormwater system from grants and a small fee collected from developers. A feasibility study to map catchment areas is currently underway and staff expects draft findings to be available later in 2015. Given the new regulations coming into effect, City staff noted concerns about unfunded state mandates related to stormwater. The City does not have a dedicated stormwater fund, and in the future may consider alternate funding options, such as impact fees.

Mountain View participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information). The City reports that it is compliant with NPDES standards.

12.4.9 Utilities

PG&E is the electricity and gas provider within Mountain View. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the City of Mountain View. The City did not indicate concerns about PG&E's ability to serve Mountain View's existing population or its future demand for energy and natural gas. City staff noted that Mountain View is partnering with Cupertino, Sunnyvale, Monte Sereno and unincorporated areas of the County to discuss the possibility of becoming a CCA under the provisions of AB 118 to allow them to pool electricity demand of their residential, business and municipal accounts to purchase or develop power on their behalf.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Mountain View are AT&T and Comcast. Mountain View indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

12.4.10 Wastewater

The City of Mountain View maintains its own wastewater system.

Mountain View does not operate a wastewater treatment plant. The City is a partner agency of Palo Alto's RWQCP. The Palo Alto RWQCP provides wastewater treatment for six agencies (Los Altos, Los Altos Hills, Mountain View, Palo Alto, Stanford University and East Palo Alto Sanitary District). The RWQCP incinerates sludge collected from its partner agencies, including the City of Mountain View. Palo Alto RWQCP is developing plans to move toward more environmentally conscious biosolid waste management practices.

Palo Alto RWQCP provides recycled water to select areas of the City of Mountain View. As of 2015, recycled water is available only in the North Bayshore region. There are plans to extend recycled water access to the Middlefield and North Whisman areas in the future.

12.5 Financial Information

The following section provides key financial data points related to Mountain View's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Mountain View's total citywide expenditures were approximately \$196.0 million. Approximately 54% (\$106.7 million) of these expenditures constituted General Fund expenditures.

12.5.1 Revenues and Expenditures

The City's primary source of revenue is property tax. Since FY 2009 property tax revenue has increased by about \$9.3 million (18%), which now includes the excess property tax increment previously collected by the City's former redevelopment agency that was dissolved by the state in 2012. Sales tax revenue in Mountain View in FY 2014 is slightly above pre-Great Recession levels (see Table 132).

Table 132. City of Mountain View Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Property Tax	\$53,264,000	\$62,601,000
Sales Tax	\$16,264,000	\$16,935,000
Utility Users Tax	\$5,866,000	\$7,335,000

Source: CAFR

A summary of the City's General Fund revenues and expenditures is shown in Table 133.

Table 133. City of Mountain View Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$87,617,000	\$108,213,000
Total General Fund Expenditures	\$87,880,000	\$106,688,000
Top Four Sources of General Fund Revenues		
Taxes	\$51,153,000	\$61,256,000
Charges for services	\$14,996,000	\$19,688,000
Use of money and property	\$12,810,000	\$12,162,000
Licenses, Permits and Fees	\$4,798,000	\$10,858,000
Top Four Sources of General Fund Expenditures		
Public Safety	\$44,126,000	\$50,234,000
Culture and Recreation	\$16,101,000	\$16,984,000
General Government	\$13,660,000	\$16,694,000
Community Development	\$5,041,000	\$13,683,000

Source: CAFR

12.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 134.

Table 134. City of Mountain View Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$8,696,000	\$3,655,000
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.2%	0.0%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	2.4%	2.5%
Unfunded pension liability	\$52,240,000	\$115,142,000

Source: CAFR, City Finance Staff

12.5.3 Reserves

Mountain View’s unassigned General Fund reserve levels have increased since FY 2009. Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the City (see Table 135).

Table 135. City of Mountain View Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$27,720,000	\$36,880,000
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$5,000,000	\$5,163,000

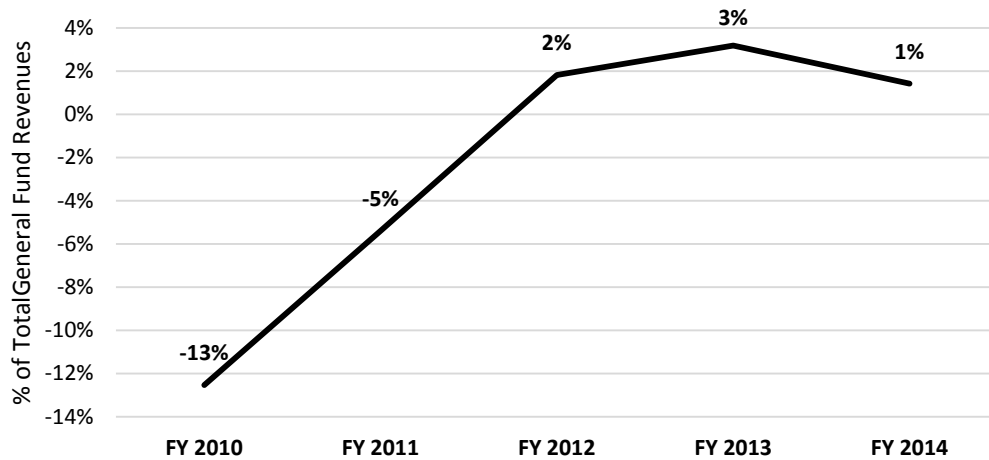
Source: CAFR

12.5.4 Financial Health Indicators

Using select indicators from the League of California Cities’ Financial Health Diagnostic Tool, the City of Mountain View is in positive fiscal health.

Over the past three years the City has accumulated annual surpluses in the General Fund. The City’s General Fund surplus has increased by 14 percentage points since FY 2010, an indicator of positive fiscal health. The trend of the City’s General Fund deficit/surplus is shown in Figure 29.

Figure 29. City of Mountain View Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

The City has essentially adopted a break-even operating budget for its General Fund in FY 2015. The City’s ten-year financial plan assumes surpluses through FY 2019. City officials anticipate that a market correction is likely to occur again in FY 2020 that could yield deficits as high as \$10 million per year assuming no expenditure reductions and standard inflationary impacts. The City’s reserves could be depleted if the market correction is not met with expenditure reductions.

The City has generally been conservative in its budget estimates, and actual results typically yield higher reserves than budget forecasts. The City’s long-range forecast assumes increased funding of planned and discretionary capital projects through various funding sources, including existing capital project fund reserves and Construction/Conveyance Tax funds. In addition, General Fund reserves totaling \$47.8 million have been committed by City Council action towards such uses as budget contingency reserves, building operations, open space and land acquisition, and other capital improvement needs.

Table 136 shows the City’s General Fund Fiscal Indicators. The City’s liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 36.1% exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 136. City of Mountain View General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	-0.3%
FY 2014	Liquidity Ratio ¹	12.5
FY 2014	Fund Balance as percent of Expenditures ²	36.1%

Source: CAFR, City Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

12.5.5 Financial Reporting

The City’s CAFR is prepared in a timely manner and audited by an independent CPA. See Table 137.

Table 137. City of Mountain View Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

12.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Mountain View.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Mountain View serves 77,914 residents within its 12.20 square mile incorporated area. ABAG projects that the City’s population will grow steadily by approximately 1% per year, leading to a population of 100,000 in 2040.

The City has identified housing opportunities well in excess to meet its RHNA of 2,926 housing units between 2014 and 2022. The City does not anticipate that growth patterns will expand beyond Mountain View’s existing USA.

Mountain View has five PDAs, one of which is planned as 552 net acres in downtown. Three of the potential PDAs have precise plans, and the remaining potential PDA is expected to have a precise plan in late 2015.

The City’s most recent general plan was adopted on July 10, 2012. The City’s existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area. However, the City is aware that the Federal government has plans to surplus a parcel (US Army Reserve Center site) that is outside of the City’s USA. The City and Federal government will continue to discuss this and any potential annexation or expansion of the City’s USA boundaries.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within or contiguous to Mountain View’s SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCs WITHIN OR CONTIGUOUS TO THE SOI

City staff noted that, given new regulations coming into effect, the City is concerned about unfunded state mandates related to stormwater infrastructure maintenance. As a result of these regulations, the City anticipates future costs to address its stormwater system and related deferred maintenance and will need to identify alternate funding options such as impact fees.

The City of Mountain View does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Mountain View’s General Fund operated at a deficit in FY 2010 and FY 2011, but has operated at a surplus since that time as economic recovery from the Great Recession and reductions in staffing (resulting in some service level changes). The City has a ten-year financial plan that assumes surpluses and maintaining a healthy level of General Fund reserves through FY 2019, but anticipates another market correction in FY 2020 that could yield deficits as high as \$10 million per year assuming no expenditure reductions and standard inflationary impacts. The City’s reserves could be depleted if the market correction is not met with expenditure reductions. Mountain View’s General Fund reserves of 36.1% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City’s ability to meet future service needs in the event of an economic downturn. In addition, the City’s liquidity ratio of 12:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of Mountain View has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency’s capital improvement plans. One area of potential concern is stormwater, as discussed under Determination Three.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Mountain View is engaged in service sharing agreements as identified in Table 138 below.

Table 138. Summary of Shared Services in the City of Mountain View

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	JPA	SVACA
Law Enforcement – Radio Communications	JPA	SVRIA

Law Enforcement - Operations	MOA	City of Santa Clara
Law Enforcement - Dispatch	Interoperability Partnership Agreement	Shared between Mountain View, Los Altos and Palo Alto
Recreation – Athletic Fields and Gyms	JUA	Mountain View-Whisman School District
Recycled Water	Partnership Agreement	City of Palo Alto
Stormwater	MOU	SCVURPPP
Wastewater Collection	Services Agreement with Moffett Field	City of Mountain View
Wastewater Treatment	Partnership Agreement	City of Palo Alto

Mountain View is looking to expand its cooperative agreements with other public entities in the areas of recycled water, consolidated fire dispatch, wastewater, stormwater, fleet management, and public-private partnerships for services such as transportation with companies such as Google.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Mountain View provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of Mountain View promotes accountability for its community service needs.

12.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The City's existing SOI boundary is coterminous with the City limits to the east, south, and west. The northern portion of the City's SOI boundary includes unincorporated areas and extends 2 miles into the San Francisco Bay. It also includes approximately half of Moffett Field. The City is substantially bounded by the City of Sunnyvale to the east; by the City of Los Altos to the south; and by the City of Palo Alto to the west.

Since the existing Mountain View SOI is coterminous with the City limits and fully bounded by other cities, or their SOI, and no further outward expansion is possible, it is recommended that LAFCO reaffirm the existing SOI for the City of Mountain View.

SOI DETERMINATIONS FOR THE CITY OF MOUNTAIN VIEW

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Mountain View's service review profile in this chapter, the following determinations are provided to update the City's existing SOI:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

The Mountain View SOI is coterminous with the boundaries of the City. Planned land uses in the City are consistent with existing land uses.

2. The Present and Probable Need for Public Facilities and Services in the Area

The need for a full range of public facilities and services is expected to grow modestly in the future.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Mountain View is still in the process of addressing the impacts that state mandates will have related to stormwater infrastructure maintenance on budgetary and operational resources, as indicated in the City's service review determination #3 above.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There exist social and economic conditions that cause interaction and interdependence between the City and the areas within its SOI boundary.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

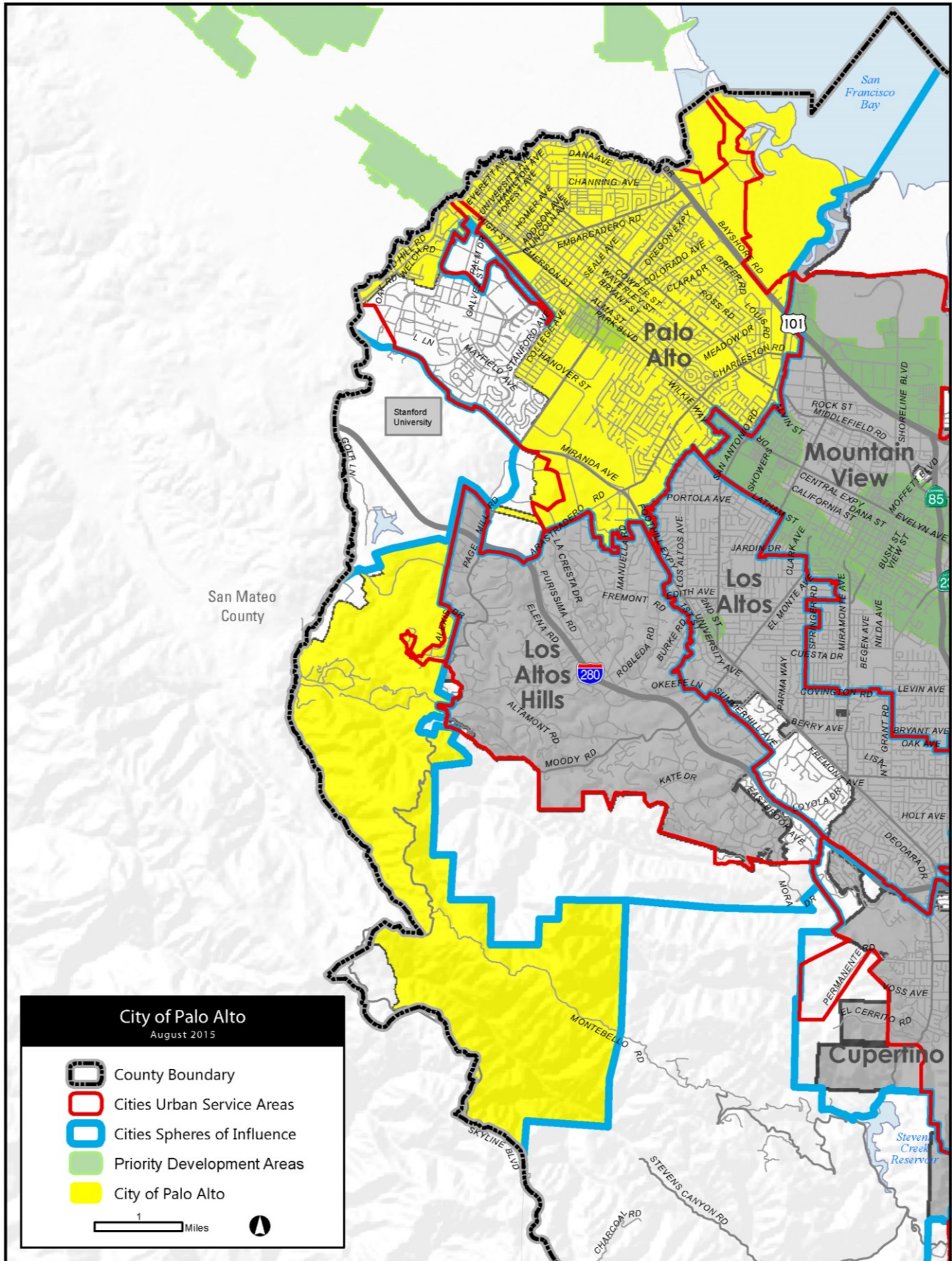
13 City of Palo Alto



13.1 Agency Overview

The City of Palo Alto was incorporated in April 1894. According to the California DOF 2015 estimates, the population of Palo Alto is 66,932. As of 2015, the City's incorporated area spans 25.96 square miles. Located 35 miles south of San Francisco and 14 miles north of San Jose, the City has a blend of commercial land residential land uses and is home to Stanford University. As of 2015, Palo Alto's USA spans 13.95 square miles, and its SOI encompasses 29.56 square miles. These boundaries can be seen in Figure 30.

Figure 30. City of Palo Alto Existing Boundaries



13.1.1 City Staffing

In FY 2014, total City staffing included 1,019 FTE employees. As shown in Table 139, the greatest number of FTEs is assigned to the police function.

Table 139. City of Palo Alto Staffing in Top Four Functions

City Staffing by Major Service Function	FY 2014 FTEs
Police	255.0
Public Works	155.0
Fire	116.0
General Government	116.0

Source: CAFR

13.1.2 Form of Government

Palo Alto is a charter city that operates under a council-manager form of government. The City Council consists of nine members who are elected at large. Council members serve four-year terms and select a mayor and vice mayor annually. In 2014, Palo Alto voters approved a ballot initiative to reduce the number of Council members from nine to seven. The seven-member City Council will go into effect in 2018.

13.1.3 Joint Powers Authorities

The City of Palo Alto is a member of two JPAs, as shown in Table 140.

Table 140. City of Palo Alto Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
San Francisquito Creek Joint Powers Authority	Flood management
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability

Source: City website and City staff interviews

13.1.4 Awards and Recognition

The City of Palo Alto has been the recipient of a number of awards between 2010 and 2015, as shown in Table 141.

Table 141. City of Palo Alto Recent Awards

Name of Award	Issuer	Year(s) Received
Award for Sustainability	Acterra	2015
Insurance Services Office (ISO) Class 1 Rating	Insurance Service Agency	2015
Award for Excellence in Museum Education	State Superintendent of Public Instruction and the California Association of Museums	2015
LEED Platinum Certification (Mitchell Park Library and Community Center)	U.S. Green Building Council	2015
Best Public/Civic Project—Finalist (Mitchell Park)	Silicon Valley Business Journal Structure of the Year	2015

Name of Award	Issuer	Year(s) Received
Landmark Library (Mitchell Park Library & Community Center)	Library Journal	2015
California Preservation Design Award (Rinconada Library)	California Preservation Foundation	2015
Dr. Teng-chung Wu Pollution Prevention Award for lifetime achievements of Phil Bobel Assistant Director- Public Works Environmental Services	San Francisco Water Board	2014
Blue Shield Award of Excellence	The Society of American Engineers	2014
Outstanding Regional Stormwater News, Information, Outreach and Media Award	California Stormwater Quality Association	2014
Leading Digital City	Center for Digital Government	2014
Best of Web Award	Center for Digital Government	2014
Beacon Award	Institute for Local Government and Statewide Energy Efficiency Collaborative	2014
Most Electric Vehicle Ready Community Award	Charged & Connected Symposium	2014
Best Solar Collaboration Award	Solar Power Generation USA Congress	2014
Silver Knighton Award	Association of Local Government Auditors	2013
Star Library Rating	Library Journal Index of Public Library Service	2012
Public Power Wind Award	U.S. Department of Energy - Wind Powering America Initiative	2012
Innovator Award	Department of Pesticide Regulation Integrated Pest Management	2011
Award of Merit for the College Terrace Library Seismic Upgrade and Rehabilitation Project Award	American Public Works Association	2011
Renovation Award for the College Terrace Library	Palo Alto Stanford Heritage	2011
The California Highway Patrol Award (Biennial Inspection of Terminals) (Inspections CHP performs on all maintenance facilities in the State of California)	California Highway Patrol	Consecutively since 2006
Green Purchasing Award	Green California Summit and Exposition	2010

Source: City of Palo Alto staff

13.2 Growth and Population

13.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region's population, housing, and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG's projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate.

The City of Palo Alto prepares its own projections for its long-term planning. Table 142 compares ABAG's projections for population, households (occupied housing units) and jobs with those prepared by the City of Palo Alto. (Palo Alto has projections for one forecast year: 2030.) Palo Alto expects slightly slower growth in population and roughly the same level of growth in jobs compared with ABAG's projections.

Table 142. City of Palo Alto Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
ABAG							
Population	64,403	67,400	70,500	73,700	77,100	80,800	84,600
Total Jobs	89,690	96,900	104,820	107,820	110,940	115,110	119,470
Total Households	26,493	27,780	29,110	30,380	31,730	33,030	34,370
City of Palo Alto							
Population		65,686 ¹			72,284		
Total Jobs		95,458 ¹			110,940		
Total Households		29,703 ¹			31,266		

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections, City staff.

¹Estimates were calculated by City staff for 2014.

City staff indicated that historically, actual housing and population data for Palo Alto have been lower than ABAG's projections. Both the ABAG and City job numbers in Table 142 are jurisdictional and exclude Stanford University.

13.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 96,900 jobs within the community (not counting Stanford) and 32,110 employed residents. Within Palo Alto, there are 3.02 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Palo Alto has 27,789 housing units; when combined with ABAG's estimate of 96,900 jobs within the City, jobs and housing balance is 3.49.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 143 shows, the majority of housing units in Palo Alto are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the City of Palo Alto's assigned housing need is 1,988 units. In November 2014, Palo Alto adopted its 2015-2023 Housing Element and demonstrated that it has sites and housing opportunities available to accommodate 2,187 units, which is 199 units in excess of its assigned regional share of 1,988 units. The City of Palo Alto's housing element was certified by the State of California's Housing and Community Development Department in January 2015.

Table 143. City of Palo Alto Housing Profile

Housing Statistic	Number
Number of total existing housing units	27,789
Owner-occupied (SFR) housing units	14,529
Renter-occupied housing units	11,700
RHNA by income category	2014 to 2022
Above moderate	587
Moderate	278
Low	432
Very Low	691
Total	1,988

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

13.2.3 Planning and Building

In FY 2013, Palo Alto issued a total of 3,682 residential and commercial building permits. Total building permit valuation in FY 2013 was \$574,652,396.

The City's total assessed valuation for FY 2014 is approximately \$25.5 billion. This represents a 21% increase from FY 2009.

13.2.4 Priority Development Areas

The City has one planned priority development area. This area, known as California Avenue, is approximately 95 acres and is categorized as a future transit-oriented neighborhood. Palo Alto has received a grant from the VTA to establish a Master Plan for the area, and expects to receive the funds during FY 2016. This PDA includes the California Avenue CalTrain station, which includes a connection to VTA's bus system and the Stanford University shuttle system. The majority of the PDA area is within the California Avenue Pedestrian Transit Oriented Development Combining District (PTOD) which is detailed in chapter 18.34 of the municipal code. The PTOD District is intended to encourage higher density residential dwellings within a walkable distance of the California Avenue CalTrain station.

13.2.5 Planning for an Aging Population

Palo Alto staff recognize that planning for the City's changing demographics is a challenge. The senior population has increased by 20% over the past few decades, and Palo Alto anticipates an even greater increase as baby boomers enter retirement. The City has adopted several measures to accommodate the needs of the aging population within Palo Alto. These include focusing on community services and housing for seniors.

Palo Alto has a successful partnership with Avenidas, a non-profit organization that provides senior programs. Avenidas leases a building from the City at no cost, and in turn, offers a variety of services to the senior population. The demand for Avenidas' services is so high that the organization is looking to expand lease space. City staff indicated that this shared service arrangement is a great model for other local governments that are striving to provide senior support services for individuals aging in their own homes.

13.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

13.3.1 Planning Boundaries

The City's USA and municipal boundaries are nearly contiguous with the exception of one unincorporated area. This island is discussed in section 13.3.2.

The City has no plans to amend its USA or SOI within the next five years. It is not currently providing services to the area outside of its city boundaries.

13.3.2 Unincorporated Islands

Along the western border of Palo Alto's USA lies Stanford University which is an unincorporated area of the County. The County has established specific land use policies regarding the University's growth and development, which are discussed in chapter 20. Maps of each city's unincorporated islands are included in Attachment B.

13.3.3 Disadvantaged Unincorporated Communities (DUCs)

State law defines a DUC as a community with an annual median household income that is less than 80% of the statewide annual median household income (less than \$48,875) and where 12 or more registered voters reside. Based on this definition, two DUCs were identified within the City of Palo Alto's SOI. Figure 31 shows a map of the identified DUCs, and Table 144 shows additional detail about Palo Alto's DUCs.

Table 144. Palo Alto DUCs

Identified DUCs	Location	Land Uses	SERVICE PROVIDERS		
			Wastewater	Water	Fire Protection
PA DUC #1	Stanford University	Dorms	Palo Alto by contract	Stanford University	Palo Alto by contract
PA DUC #2	Stanford University	Dorms, graduate student housing, staff housing	Palo Alto by contract	Stanford University	Palo Alto by contract

Source: LAFCO Staff

Both DUCs are located at Stanford University and consist primarily of dorms, graduate student housing, and staff housing. As part of Stanford University, both DUCs receive water service from the University and wastewater service and fire protection service from the City of Palo Alto by contract agreement. The DUCs receive adequate public services and no infrastructure needs or deficiencies related to sewers, water, and fire protection were identified.

Although the DUCs are located within the City of Palo Alto's USA, annexation of these areas to the City is not anticipated. Based on long-standing County policies, plans, and the joint agreement between the City, Stanford University and the County; academic land uses such as dorms, graduate student housing, and staff housing are not required to annex to a city.

13.4 City Services

In Palo Alto core municipal services are delivered by City staff. The primary service provider for the major municipal services discussed in this report is summarized in Table 145.

Unless specifically noted, the City of Palo Alto did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Figure 31. Disadvantaged Unincorporated Communities in Palo Alto

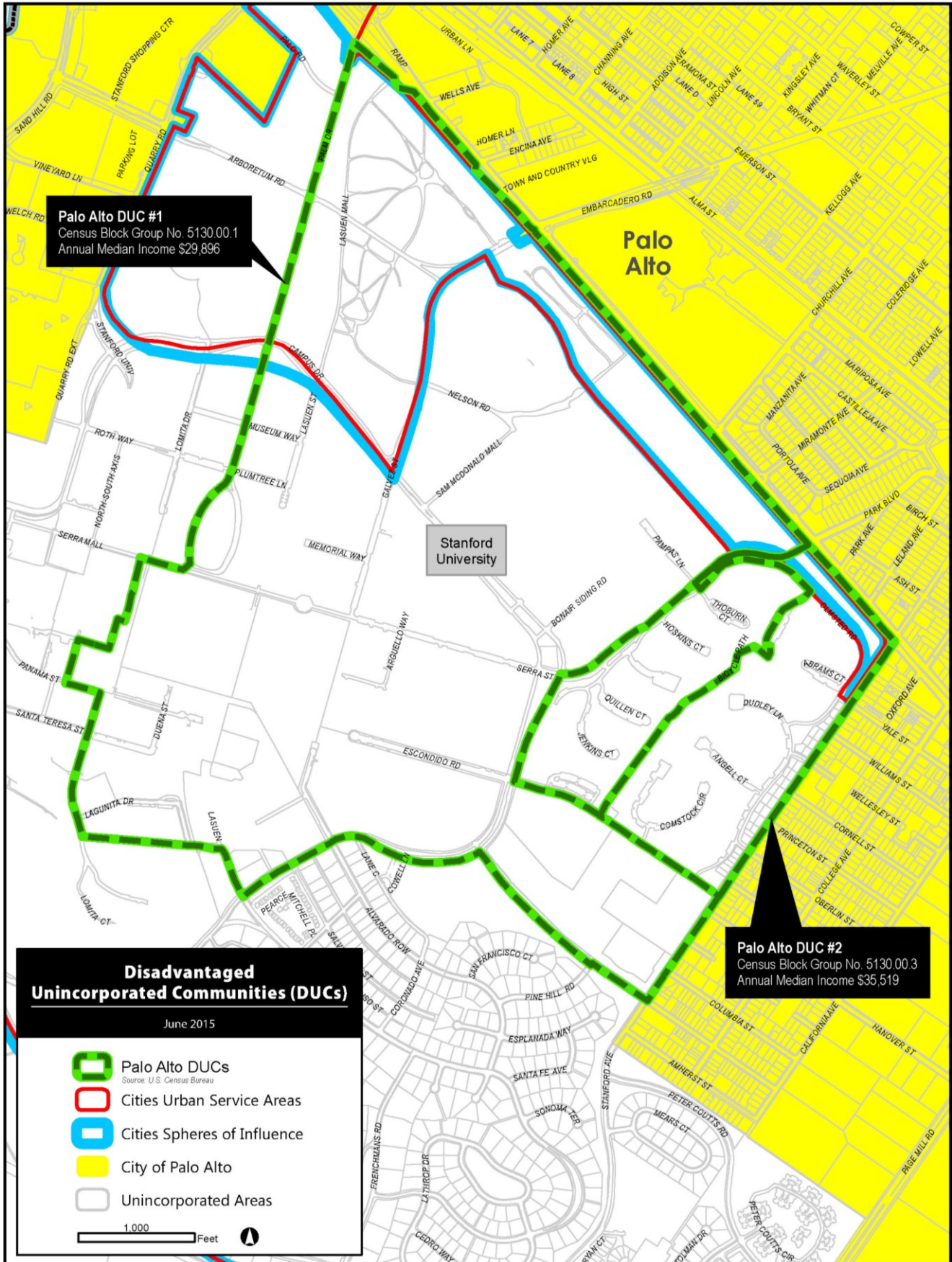


Table 145. City of Palo Alto Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	City	
Law Enforcement	City	
Library	City	
Parks and Recreation	City	
Planning/Building	City	
Solid Waste	Franchise Agreement	GreenWaste of Palo Alto
Streets	City	
Stormwater	City	
Utilities		
Gas	City	
Electricity	City	
Telephone, High-speed Internet	Franchise Agreement	AT&T, Comcast (State-Issued Franchise)
Wastewater ¹	City	

Source: City website and City Staff interviews

¹The Palo Alto Regional Water Quality Control Plant is a partnership agreement among several public agencies. The City of Palo Alto is the owner and operator of the Regional Water Quality Control Plant. The cities of Mountain View, Los Altos, Los Altos Hills along with Stanford University and East Palo Alto Sanitary District have agreements to use a portion of the plant's capacity. Through this partnership agreement, all six agencies proportionately share in the costs of building and maintaining the facility.

In the past five years, the City has not stopped providing any core municipal services. City staff indicated that the City Council has expressed interest in exploring options for contracting natural gas provision, which could represent a future shift in the municipal services provided by Palo Alto. While Palo Alto has not started providing any new municipal services in the past five years, it has made some recent changes to how it provides services. For example, the City adopted an “open data by default” policy that encourages more transparency and enables the City to crowdsource different applications and solutions from the private sector. Additionally, the City redesigned its Development Services Center to be more user-friendly and innovative. Given the expected population growth for the City of Palo Alto, City staff does not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

13.4.1 Animal Control

The City of Palo Alto Police Department is the service provider for animal control within the City of Palo Alto. The Police Department operates a regional animal shelter that serves the City of Los Altos and the Town of Los Altos Hills. The City of Mountain View was previously a partner in Palo Alto's animal shelter but recently stopped participating in this shared service arrangement. To continue operating the shelter under the existing model, Palo Alto staff indicated that the City needs to find other partners. According to staff, options to discontinue providing shelter services are being explored (possibly turning the shelter into a non-profit organization). If this option is viable, the City would continue to provide animal control services. In FY 2014 total City expenditures for this function were \$1,613,420. Service level statistics are included in Attachment A.

13.4.2 Law Enforcement

The Palo Alto Police Department provides law enforcement and dispatch services within the City of Palo Alto. The Police Department has one police station and 92 sworn officers. During FY 2014, there were 54,628 calls for service. The City reports that response time for Priority One calls averaged 4 minutes and 57 seconds. The City's goal for response time for Priority One calls is 6 minutes.

In FY 2014, total City expenditures on this function were \$33.3 million. Approximately 20% of the City's General Fund is dedicated to law enforcement.

The City participates in County and other task forces. In addition, Palo Alto shares technology resources with a variety of law enforcement partners.

13.4.3 Library

The City of Palo Alto is the primary provider for library services, and operates five facilities within the City. Annual print circulation exceeds 302,000, and nearly 60,000 digital books are available for download to library patrons.

13.4.4 Lighting

Lighting within the City is provided and maintained by the City. While the Public Works Department funds street lighting, the City's Utilities Department is responsible for street light maintenance. A summary of lighting infrastructure is provided in Attachment A.

13.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. FY 2014 total expenditures for parks and recreation, which is housed within the Community Services Department, were not specifically outlined in the City's operating budget. The City has 36 parks and a total of 157 park acres. In addition, 3,744 acres of open space owned by the City are publicly accessible. The City reports 2.3 park acres per 1,000 population, which exceeds their goal of 2.0 park acres per 1,000 population.

The City operates four community centers, one teen center, one golf course, and one swimming pool. Palo Alto is part of a successful facility sharing agreement with the school district. The City and the school district share in the cost to maintain all 13 elementary fields and three middle school fields. When school is not in session, the City manages rental and use of the athletic fields by non-school users, and both the City and the school district share the revenue. This arrangement has been so positive that the City hopes to expand the agreement to include the high school fields. The City also has a long-term agreement with Stanford University for use of two of its synthetic turf fields.

13.4.6 Solid Waste

GreenWaste of Palo Alto has a franchise agreement to provide solid waste services in the City of Palo Alto. In FY 2014, City expenditures for public solid waste services were \$27.8 million.

In CY 2013, Palo Alto disposed of 47,088 tons of solid waste. Palo Alto offers food waste and green waste and yard trimming disposal, and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the City's amount of pounds of solid waste disposed per person per day was 3.9 for its general population, meeting the state's goal for the community of 8.2 pounds. The pounds of solid waste per person per day for employees in the community was 2.9, meeting the state's goal for the community of 7.1 pounds. No solid waste disposal facility is located within Palo Alto.

13.4.7 Streets

The City of Palo Alto maintains 470 lane miles and 283 sidewalk miles. The City expends approximately \$1.46 million annually on street-related expenditures. Street sweeping is provided by the City's Public Works Department. The City maintains approximately 35,000 street trees. In collaboration with the community, Palo Alto has developed an Urban Forest Master Plan and tree maintenance program that will help plan for and improve the City's urban forestry. The City's pavement condition index (PCI) is 77, which falls below its PCI goal of 85.

13.4.8 Stormwater

The City's stormwater system is managed and maintained by the City's Public Works Department. Palo Alto is engaged in efforts to ensure they meet new federal and state stormwater management requirements. These efforts include intercepting trash at the downstream ends of the Matadero and Adobe creeks and imposing a new plastic bag ordinance to limit the number of bags that end up in area creeks. City staff indicated that the plastic bag ordinance has been successful.

Maintenance of the stormwater system is funded by an enterprise fund. The fee for residential equivalent units was increased in 2006, but will sunset in 2017. City staff expressed concern that if the increase does not continue, then maintenance of the stormwater system will likely need to be subsidized by the General Fund.

Palo Alto participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information). The City reports that it is compliant with NPDES standards.

13.4.9 Utilities

The Palo Alto Utilities Department is the electricity and gas provider within Palo Alto. The City has over 29,000 electric meters and nearly 24,000 gas meters. The City did not indicate concerns about its ability to serve Palo Alto's existing population or its future demand for energy and natural gas. The City has power purchase agreements throughout California, including some solar farms in the Central Valley and some hydroelectric farms in the Sierra Foothills. Palo Alto has a carbon-neutral electric portfolio.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Palo Alto are AT&T and Comcast. Palo Alto indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

13.4.10 Wastewater

The City of Palo Alto provides wastewater service. In FY 2014, City expenditures for wastewater services were \$33.4 million.

Palo Alto is the lead agency of the City of Palo Alto's RWQCP partnership. The RWQCP provides wastewater treatment for six agencies (Los Altos, Los Altos Hills, Mountain View, Palo Alto, Stanford University and East Palo Alto Sanitary District). The City is confident that the RWQCP can adequately meet the demands of future needs, according to ABAG's growth projections for the member agencies. Additionally, City Council recently approved a 25-year master plan for upgrades and expansion of the RWQCP. The RWQCP incinerates sludge collected from its partner agencies and the City of Palo Alto. Palo Alto RWQCP is developing plans to move toward more environmentally conscious biosolid waste management practices.

The City of Palo Alto produces its own non-potable recycled water and is working with the Santa Clara Valley Water District to increase its supply of recycled water. According to staff, approximately one MGD are produced from the RWCQP, but daily production capacity is closer to six or seven MGD. Some of the recycled water is piped south to the City of Mountain View. The balance is used for irrigation at the City of Palo Alto's golf course and Greer Park or at the City's three reclaimed water filling stations, which are open to the public. Upon completion of the plant's upgrades and expansion, Palo Alto staff estimate the plant could recycle up to 22 MGD. The City is not presently providing recycled water directly to residents as the infrastructure costs are prohibitive, nevertheless the City would consider implementation as one of several alternatives in its long-range drought response strategy.

13.5 Financial Information

The following section provides key financial data points related to Palo Alto's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Palo Alto's total citywide expenditures exceeded \$390 million. Approximately 40% (\$156 million) of these expenditures constituted General Fund expenditures.

13.5.1 Revenues and Expenditures

The City's primary source of revenue is property tax. Since FY 2009 property tax revenue has increased by about \$9.9 million (39%). Sales tax revenue in Palo Alto in FY 2014 is significantly above pre-Great Recession levels (see Table 146).

Table 146. City of Palo Alto Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Property Tax	\$25,432,000	\$35,299,000
Sales Tax	\$20,089,000	\$29,424,000
Utility Users Tax	\$11,030,000	\$11,008,000

Source: CAFR

A summary of the City's General Fund revenues and expenditures is shown in Table 147.

Table 147. City of Palo Alto Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$113,847,000	\$141,683,000
Total General Fund Expenditures	\$114,826,000	\$134,547,000
Top Four Sources of General Fund Revenues		
Property tax	\$25,432,000	\$30,587,000
Sales tax	\$20,089,000	\$29,424,000
Charges for Service	\$19,769,000	\$23,962,000
Rental Income	\$13,646,000	\$14,215,000
Top Four Sources of General Fund Expenditures		
Public Safety	\$48,892,000	\$61,742,000

	FY 2009	FY 2014
Community Services	\$17,451,000	\$22,511,000
Planning and Community Environment	\$9,509,000	\$13,209,000
Public Works	\$10,064,000	\$11,548,000

Source: CAFR

13.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 148. General bonded debt increased significantly since FY 2009 as the City issued a total of \$76 million in general obligation bonds in CY 2010 and 2013 for capital improvements and new construction related to its libraries and a community center.

Table 148. City of Palo Alto Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$7,605,000	\$80,913,000
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.0%	0.3%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	2.4%	2.6%
Unfunded pension liability	\$84,535,000	\$295,561,000

Source: CAFR

13.5.3 Reserves

Palo Alto's unassigned General Fund reserve levels have increased since FY 2009. Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the City (see Table 149).

Table 149. City of Palo Alto Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$27,012,000	\$36,690,000
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$0	\$0

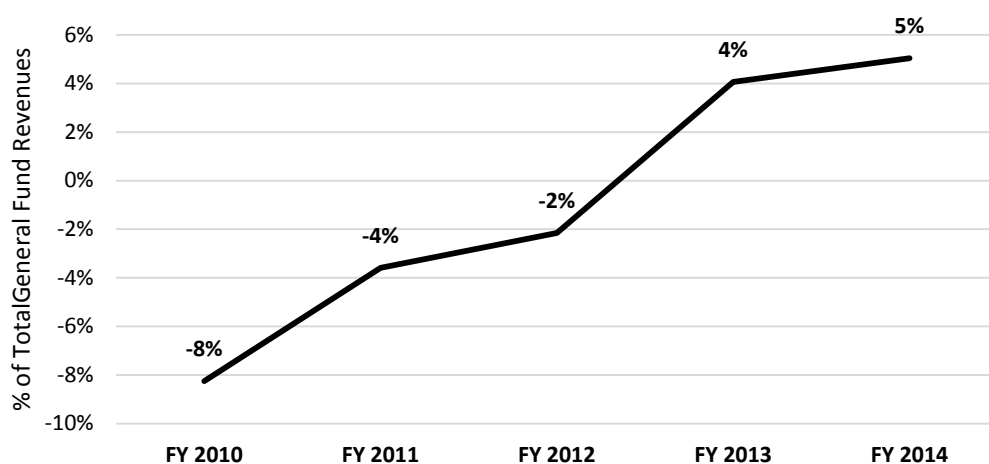
Source: CAFR

13.5.4 Financial Health Indicators

Using select indicators from the League of California Cities' Financial Health Diagnostic Tool, the City of Palo Alto is in positive fiscal health.

Over the past two years the City has accumulated annual surpluses in the General Fund. The City's General Fund surplus has increased by 13 percentage points since FY 2010, an indicator of positive fiscal health. The trend of the City's General Fund deficit/surplus is shown in Figure 32.

Figure 32. City of Palo Alto Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

The City’s FY 2015 adopted budget indicates a net deficit in its General Fund, but has a 10-year Long Range Financial Forecast (LRFF) that provides for maintaining a healthy level of General Fund reserves during that period. The most recent LRFF indicates that over the next 10 years, the General Fund has a cumulative net operating margin of \$3.2 million. The budget and financial plan incorporate debt service associated with the City’s general bonded indebtedness. The City has generally been conservative in its budget estimations, and actual results typically yield higher reserves than budget forecasts.

Table 150 shows the City’s General Fund Fiscal Indicators. Not included in the FY 2015 operational surplus/deficit is a transfer from the General Fund of \$13.7 million to its Infrastructure Funds for capital projects. As a continuing practice, the City maintains reserves of between 15% and 20% of annual operating expenditures. The City’s liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves at FY 2014 of 31.3% exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 150. City of Palo Alto General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	\$8.0M ¹
FY 2014	Liquidity Ratio ²	4.5
FY 2014	Fund Balance as percent of Expenditures ³	31.3%

Source: CAFR, City Finance Staff

¹ City did not indicate this figure as a percentage

² Calculated by combining cash and short-term investments and then dividing by current liabilities

³ Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

13.5.5 Financial Reporting

The City’s CAFR is prepared in a timely manner and audited by an independent CPA. See Table 151.

Table 151. City of Palo Alto Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes

Publication of CAFR within six months of fiscal year	Yes
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13.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Palo Alto.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Palo Alto serves 66,932 residents within its 25.96 square mile incorporated area. ABAG projects that the City's population will grow steadily by approximately 0.9% per year, leading to a population of 84,600 in 2040.

Along the western border of Palo Alto's USA lies Stanford University, which is an unincorporated area of the County.

The City has identified sufficient housing opportunities to meet its RHNA of 1,988 housing units between 2014 and 2022. The City does not anticipate that growth patterns will expand beyond Palo Alto's existing USA. One PDA is planned within Palo Alto for infill development.

The City's most recent general plan was adopted in July 2007. A new general plan is being prepared and expected for adoption in 2016.

The City's existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

Two DUCs were identified within the City of Palo Alto's SOI. Both DUCs are located at Stanford University and consist primarily of dorms, graduate student housing, and staff housing. As part of Stanford University, both DUCs receive water service from the University and sewer service and fire protection service from the City of Palo Alto by contract/agreement. The DUCs receive adequate public services and no infrastructure needs or deficiencies related to sewers, water, and fire protection were identified.

Although the DUCs are located within the City of Palo Alto's Urban Service Area, annexation of these areas to the City is not anticipated. Based on long-standing County policies, plans, and the joint agreement between the City, Stanford University and the County; academic land uses such as dorms, graduate student housing, and staff housing are not required to annex to a city.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCs WITHIN OR CONTIGUOUS TO THE SOI

City staff noted that in order to continue to operate its animal control shelter under the existing model, the City will need to find other partners, and is currently exploring options to discontinue providing shelter services through other arrangements (e.g., a non-profit organization). The City also expressed concerns that the stormwater fee for residential

units will sunset in 2017 and that maintenance of the stormwater system will become a financial burden on the City's General Fund if not continued.

The City of Palo Alto does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

No deficiencies were identified in service the DUC areas within the City's SOI.

The City's Pavement Condition Index of 77 in 2014 is currently below the goal index of 85 that it has established.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Palo Alto's General Fund operated at a deficit as a result of the Great Recession until operational changes and revenue recovery yielded surpluses in 2013 and 2014. The City has a five-year financial plan that maintains a healthy level of General Fund reserves. Palo Alto's General Fund reserves of 31.3% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City's ability to meet future service needs in the event of an economic downturn. In addition, the City's liquidity ratio of 4:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of Palo Alto has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency's capital improvement plans. One area of potential concern is stormwater, as discussed under Determination Three.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Palo Alto is engaged in service sharing agreements as identified in Table 152 below.

Table 152. Summary of Shared Services in the City of Palo Alto

Service Area	Type of Sharing Arrangement	Partnering Entity
Flood Management	JPA	San Francisquito Creek JPA
Law Enforcement – Dispatch	Interoperability Partnership Agreement	Shared between Palo Alto, Los Altos and Mountain View
Law Enforcement – Radio Communications	JPA	SVRIA
Stormwater	MOU	SCVURPPP
Wastewater Treatment	Partnership Agreement	City of Palo Alto

Further opportunities to share services were identified in the area of animal control and joint use agreements for use of high school athletic fields.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Palo Alto provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of Palo Alto promotes accountability for its community service needs.

13.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The City's SOI is substantially coterminous with the City limits, with the exception of including various unincorporated lands such as Stanford University and unincorporated lands along Page Mill and Alpine Roads. The City's SOI boundary to the north extends 2 miles into San Francisco Bay. The southern portion of the City's SOI consists primarily of permanently protected open space lands (e.g., Palo Alto Foothill Park, Los Trancos Open Space, and Monte Bello Open Space) as well as small unincorporated areas developed with low density residential uses that are located adjacent to Los Altos Hills along Page Mill Road. The City of Palo Alto is substantially bounded by the Cities of Mountain View, Los Altos, and Los Altos Hills to the east; unincorporated hillsides to the south; Stanford University and the Cities of Menlo Park and Portola Valley (both cities are located in San Mateo County) to the west; and the City of East Palo Alto (located in San Mateo County) to the north.

It is recommended that LAFCO reaffirm the City of Palo Alto's existing SOI boundary because the City's SOI boundary serves multiple purposes including serving as:

- A long range planning tool to help LAFCO evaluate USA boundary changes and annexation requests.
- Areas that will not necessarily be annexed to the City or will not necessarily receive services from Palo Alto, but are areas in which the County and Palo Alto may have shared interests in preserving non-urban levels of land use. Specific examples include the foothills and ridgelines located west of the City and certain unincorporated areas that include Stanford University. Furthermore, both the City and the County share a mutual interest in protecting view sheds and natural resources.
- Areas where the City and the County have significant interaction.
- Areas that contain social and economic communities of interest to the City, such as areas within the City's jurisdictional boundaries.

In making this recommendation, it should be made clear that inclusion of an area within the City's SOI boundary should not necessarily be seen as an indication that the City will or should either annex or allow urban development and services in the area. The City's USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether the areas will be annexed and provided urban services.

SOI DETERMINATIONS FOR THE CITY OF PALO ALTO

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Palo Alto's service review profile in this chapter, the following determinations are provided to update the City's existing SOI:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

A variety of urban uses are planned within Palo Alto's USA boundary. The County's and City's general plans call for the continuation of non-urban uses beyond the City's USA boundary.

2. The Present and Probable Need for Public Facilities and Services in the Area

The need for a full range of public facilities and services is expected to grow modestly in the future.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Palo Alto expressed concerns that the stormwater fee that sunsets in 2017 will place a financial burden on stormwater system maintenance if the fee is not continued. In addition, the City indicated the need to find other partners in the operation and funding of its animal control shelter in order to continue providing shelter services.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There exist social and economic conditions that cause interaction and interdependence between the City and the areas within its SOI boundary.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

The City is able to provide these services to these areas.

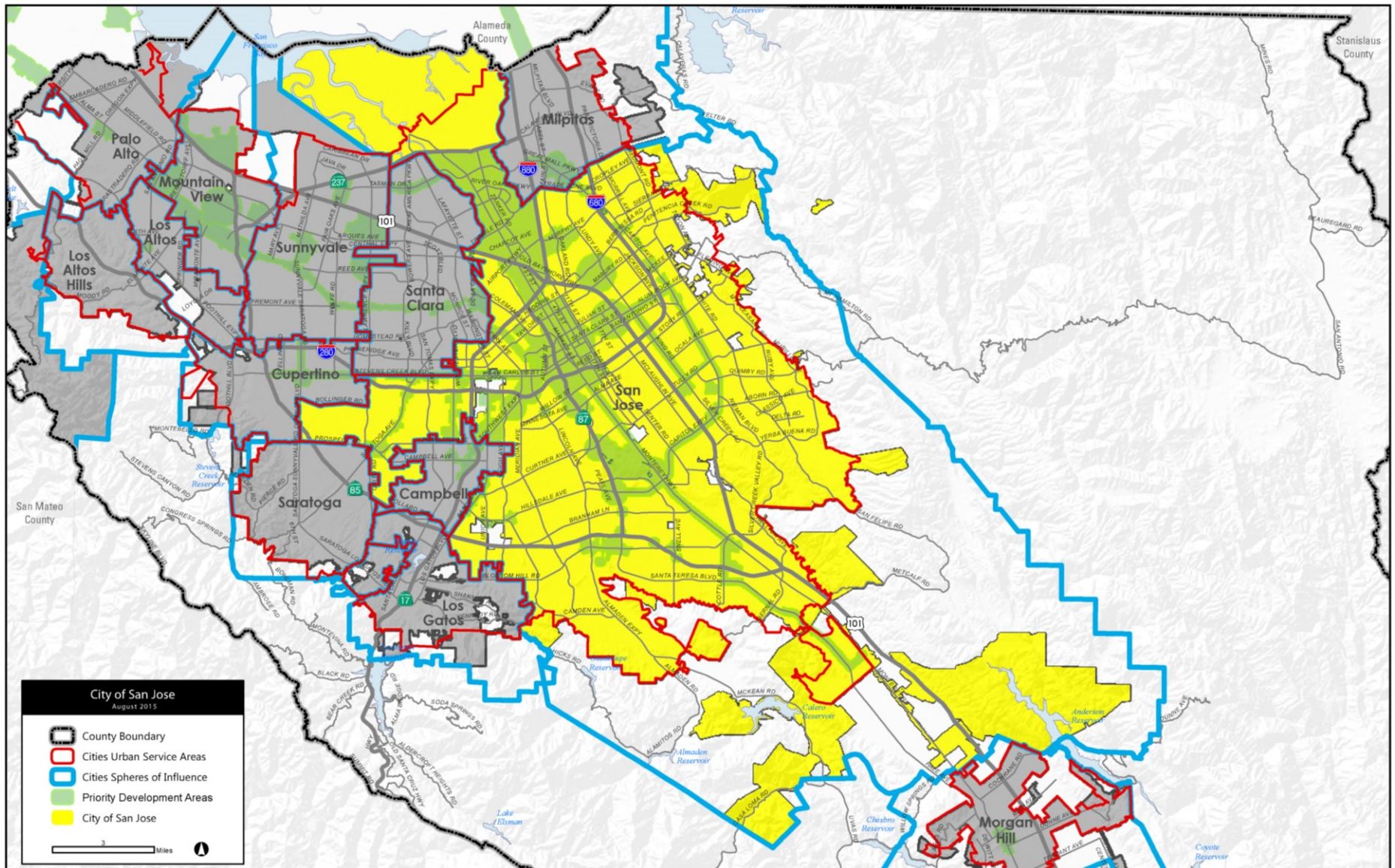
14 City of San Jose



14.1 Agency Overview

The City of San Jose was incorporated in March 1850. According to the California DOF 2015 estimates, the population is 1,016,479. San Jose is the largest and most populous city in the County. As of 2015, the City's incorporated area spans 180.67 square miles while its USA spans 138.27 square miles. San Jose's SOI encompasses 280.04 square miles. These boundaries can be seen in Figure 33.

Figure 33. City of San Jose Existing Boundaries



14.1.1 City Staffing

In FY 2014, total City staffing included 6,263 FTE employees. As shown in Table 153, the greatest number of FTEs is assigned to the police function.

Table 153. City of San Jose Staffing in Top Four Functions

City Staffing by Major Service Function	FY 2014 FTEs
Police	1,524
Parks, Recreation, and Neighborhood Services	1,018
Fire	762
Library	525

Source: CAFR

14.1.2 Form of Government

San Jose is a charter city that operates under a council-manager form of government. The City Council consists of ten members who are elected by district and serve four-year terms. The Mayor is elected at large and serves a four-year term.

14.1.3 Joint Powers Authorities

The City of San Jose is a member of two JPAs, as shown in Table 154.

Table 154. City of San Jose Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability
Santa Clara Valley Habitat Agency	Implement requirements of Habitat Plan and permitting

Source: City website and City staff interviews

14.1.4 Awards and Recognition

The City of San Jose has been the recipient of several awards between 2010 and 2015, as shown in Table 155.

Table 155. City of San Jose Recent Awards

Name of Award	Issuer	Year(s) Received
Silicon Valley Chapter Honor Award	American Public Works Association	2015
California Preservation Foundation Award	California Preservation Foundation	2013
Animal Care and Services Division, Maddie's Fund Lifesaving Award	Maddie's Fund	2012
Award of Excellence/Distinction	ICMA Center for Performance Measurement	2003-2015

Name of Award	Issuer	Year(s) Received
Award of Excellence in Capital Budgeting	California Society of Municipal Finance Officers	2004-2014
Award of Excellence in Operational Budgeting	California Society of Municipal Finance Officers	2004-2014
Distinguished Budget Presentation Award	Government Financial Officers Association	1990-2014
Certificate of Recognition for Budget Presentation	Government Financial Officers Association	2004-2014

Source: City of San Jose staff

14.2 Growth and Population

14.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region's population, housing, and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG's projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The City of San Jose prepared its own projections for its Envision San Jose 2040 General Plan, adopted in 2011. The projections prepared for the Envision General Plan were prepared in 2008. ABAG's and the City's projections for population, households (occupied housing units) and jobs are shown in Table 156.

Table 156. City of San Jose Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
ABAG							
Population	952,576	1,004,500	1,064,900	1,126,200	1,192,100	1,261,600	1,334,100
Total Jobs	377,140	414,380	456,260	469,740	484,000	503,620	524,510
Total Households	301,366	322,770	344,750	365,770	388,220	409,800	432,030
City of San Jose							

Population			1,148,000	1,216,000	1,294,000	1,367,000	1,445,000
Total Jobs			479,000	497,000	516,000	542,000	570,000
Total Households			376,300	400,800	424,400	445,900	471,700

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections, City of San Jose Envision San Jose 2040 General Plan Update, Projections of Jobs, Population and Households for the City of San Jose.

San Jose's 2008 projections were prepared prior to the projections prepared in 2013 for Plan Bay Area, and before the Great Recession. The City is currently updating those projections, but they are the basis for its current general plan. Over the 25-year projection period, the City's 2008 projections expected roughly 9% more jobs and more housing than the 2013 ABAG projections. Despite these higher projections, San Jose plans to accommodate this growth within their current boundaries and has not and is not expected to recommend any modifications to its USA in the next few years.

14.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 414,380 jobs within the community and 468,060 employed residents. Within San Jose there are 0.89 jobs for every employed resident. This ratio is not expected to significantly change under either ABAG's or the City's projections. The U.S. Census American Community Survey 2013 estimates that San Jose has 319,700 housing units; when combined with ABAG's estimate of 414,380 jobs within the City, jobs and housing balance is 1.30.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 157 shows, the majority of housing units in San Jose are renter-occupied housing units. According to ABAG, between January 1, 2014 and October 31, 2022, San Jose's assigned housing need is 35,080 units. In January 2015, San Jose adopted its 2014-2023 Housing Element and demonstrated that it has sites and housing opportunities available to accommodate 35,117 units, which is 37 units in excess of its assigned regional share of 35,080 units. San Jose's housing element was certified by the State of California's Housing and Community Development Department in April 2015.

Table 157. City of San Jose Housing Profile

Housing Statistic	Number
Number of total existing housing units	319,700
Owner-occupied (SFR) housing units	117,997
Renter-occupied housing units	128,955
RHNA by income category	2014 to 2022
Above moderate	14,231
Moderate	6,188
Low	5,428
Very Low	9,233
Total	35,080

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG housing needs)

14.2.3 Planning and Building

In calendar year (CY) 2014, San Jose issued a total of 8,890 residential and commercial building permits. Total building permit valuation is estimated at \$1,349,874,905.

The City's total assessed valuation for FY 2014 is approximately \$111.7 billion. This represents a 5.5% increase from FY 2009.

14.2.4 Priority Development Areas

The City has a total of 20 priority development areas, 8 of which are planned PDAs and 12 are potential PDAs (see section 22.1.4 for complete definition). San Jose is intent on capitalizing on its extensive light rail network and the addition of BART stations to promote transit oriented neighborhoods. San Jose's PDAs include:

- Underutilized light-rail-served commercial corridors that can be revitalized through smart-growth strategies;
- Older community commercial centers that can act as the more vital, walkable commercial hearts of their respective neighborhoods if they can be revitalized and improved through properly planned, respectful higher density new development; and
- A downtown that can continue to assert its role as the vital, cultural, and commercial center of Silicon Valley, with new high-rise office and residential towers, well-served by the transit system centered on that downtown.

Overall, San Jose expects its PDAs to accommodate a significant amount of residential growth over many years, meeting housing needs for the foreseeable future without any further expansion of its USA.

14.2.5 Planning for an Aging Population

To meet the needs of the City's aging population, San Jose is working closely with the County of Santa Clara to create a senior services plan in anticipation of the City's increasing senior population. San Jose had previously made significant cuts to senior services and is beginning to restore funding in its plans for the future. According to staff, the City has two goals in this area: 1) preventing social isolation and 2) promoting healthy aging. In addition, the City's general plan has policies that promote aging in place, diverse housing choices, and walkable communities located near service hubs to better serve the senior population.

14.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

14.3.1 Planning Boundaries

The City's USA and municipal boundaries are nearly contiguous with the exception of 21 unincorporated areas. These islands are discussed in section 14.3.2.

The City has no plans to amend its USA or SOI within the next five years. The City does not generally provide services to the area outside of its city boundaries with the exception of water service to a few properties in the east foothills.

14.3.2 Unincorporated Islands

Twenty-one unincorporated islands exist within the City of San Jose's USA. Of those, 13 are small, largely undeveloped parcels of under 31 acres; 4 are large mostly undeveloped parcels ranging in size from 114 acres to 225 acres; and 4 are largely urbanized islands ranging in size from about 50 acres to over 1,400 acres. The City's policy encourages annexation of urbanized county pockets (general plan Policy FS-3.12), and for many years San Jose has done so by annexing many islands. However, the City indicated during interviews for the Cities Service Review that a thorough fiscal analysis must be completed prior to the City pursuing annexations, given the cost implications of serving large inhabited islands. The City would consider annexing properties in county pockets if requested by landowners as part of processing applications for development. Maps of each city's unincorporated islands are included in Attachment B.

14.3.3 Disadvantaged Unincorporated Communities (DUCs)

State law defines a DUC as a community with an annual median household income that is less than 80% of the statewide annual median household income (less than \$48,875) and where 12 or more registered voters reside. Based on this definition, four DUCs (which are also unincorporated islands) were identified within the City of San Jose's SOI. Figures 34 and 35 show maps of the identified DUCs, and Table 158 shows additional detail about San Jose's DUCs.

Table 158. San Jose DUCs

Identified DUCs	Location	Land Uses	SERVICE PROVIDERS		
			Wastewater	Water	Fire Protection
SJ DUC #1	Burbank Area	Residential and commercial	Burbank Sanitary District	San Jose Water Company	San Jose Fire by contract
SJ DUC #2	Burbank Area	Residential and commercial	Burbank Sanitary District	San Jose Water Company	San Jose Fire by contract
SJ DUC #3	Buena Vista Area	Residential	Burbank Sanitary District	San Jose Water Company	San Jose Fire by contract
SJ DUC #4	County Fairgrounds & adjacent areas	County Fairgrounds and two small residential areas	County Sanitation District No. 2-3	San Jose Water Company	San Jose Fire by contract

Source: LAFCO Staff

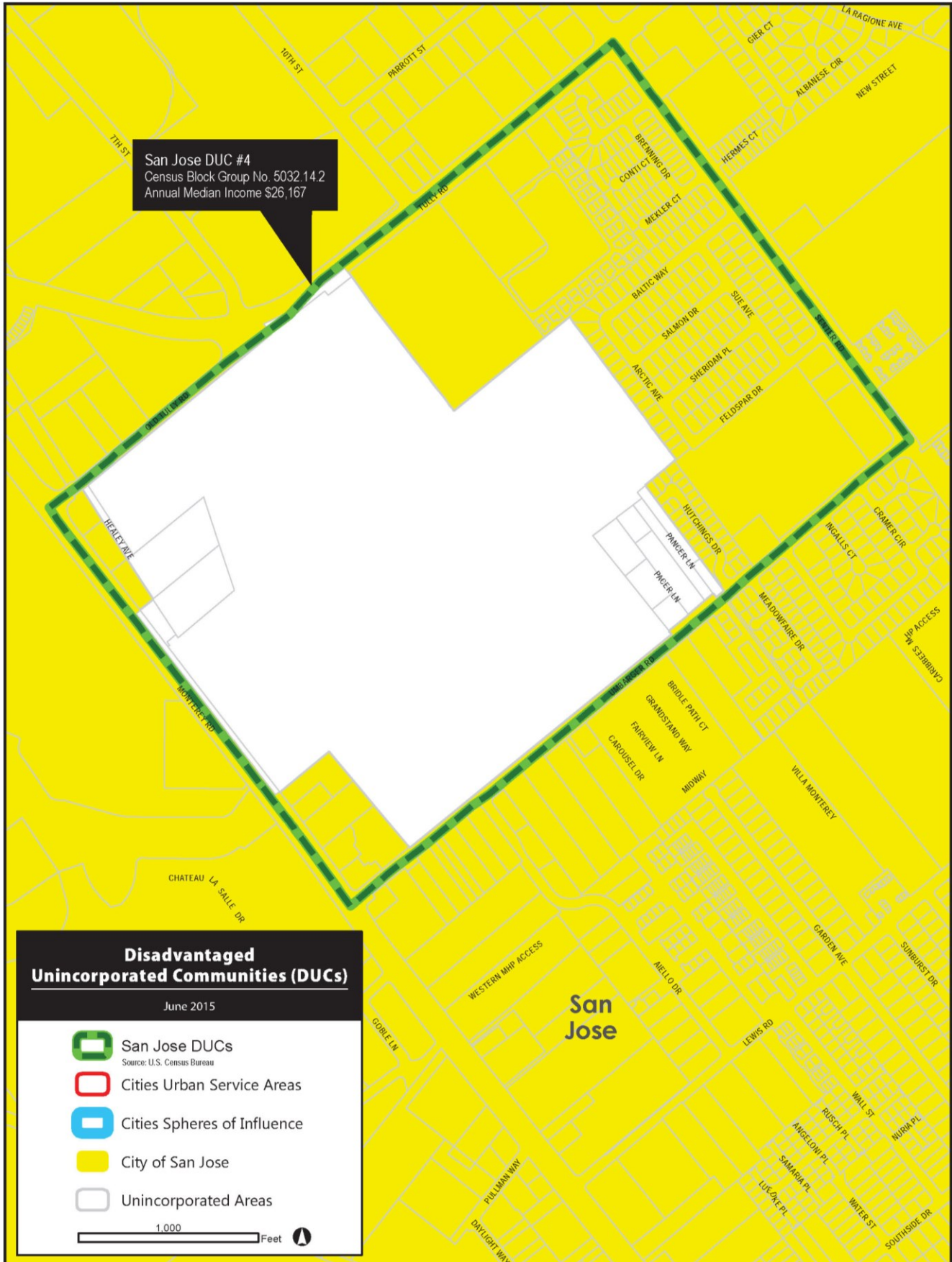
Three of the four DUCs (SJ DUC #1, SJ DUC #2, and SJ DUC #3) are located in the Burbank neighborhood and consist primarily of residential and commercial land uses. These DUCs receive wastewater service from the Burbank Sanitary District, and water service from San Jose Water Company. These DUCs are located within the Santa Clara County Central Fire Protection District, which contracts with the City of San Jose for fire protection service in these areas.

The other remaining DUC (SJ DUC #4) consists of the County Fairgrounds and two adjacent primarily residential areas. This DUC receives wastewater service from County Sanitation District No. 2-3, and water service from the San Jose Water Company. This DUC is also located within the Santa Clara County Central Fire Protection District, which contracts with the City of San Jose for fire protection service in this area.

Figure 34. Disadvantaged Unincorporated Communities in San Jose (DUC #1, DUC #2, DUC #3)



Figure 35. Disadvantaged Unincorporated Community in San Jose (DUC #4)



14.4 City Services

In San Jose core municipal services are delivered primarily by City staff. The primary service provider for the major municipal services discussed in this report is summarized in Table 159.

Unless specifically noted, the City of San Jose did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 159. City of San Jose Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	City	
Law Enforcement	City	
Library	City	
Parks and Recreation	City	
Planning/Building	City	
Solid Waste	Franchise Agreement (Commercial Customers) Franchise Agreements (Residential Customers)	Republic Services (formerly known as Allied Waste) <u>Garbage</u> : Garden City Sanitation & GreenTeam of San Jose (Waste Connections Inc.) <u>Recycling</u> : California Waste Solutions & GreenTeam of San Jose (Waste Connections Inc.) <u>Yard Trimmings</u> : GreenWaste Recovery
Streets	City	
Stormwater	City	
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T, Comcast (State-Issued Franchise)
Wastewater	City	

Source: City website and City Staff interviews

In the past five years, the City has not stopped providing core municipal services, but they have eliminated some programs and reduced some service levels, which have had minor to significant impacts to the community. For example, during the Great Recession, the City reduced library operations to four days a week (which was increased to six days a week with adoption of the FY 2015-16 budget), staffing in the Police Department reached historically low levels, and the infrastructure and deferred maintenance backlog grew. City staff also indicated the elimination of programs such as the Strong Neighborhoods Initiative has had a negative impact on residents' perceived quality of life. As the economy improves, City management is exploring the possibility of restoring these services. Staff indicated that in the past five years the City has expanded its programs and services to the homeless population.

Given the expected population growth for San Jose, City staff indicated it can continue to provide core municipal services to the community. Nevertheless, San Jose faces significant challenges in maintaining its current service levels, let alone being able to reverse cuts implemented during the Great Recession. Nevertheless, San Jose faces significant challenges in reversing cuts implemented during the Great Recession. Issues associated with funding pension costs, restoring Police Department staffing, and future economic cycles will impact the level of services the City can provide.

A summary of key service level statistics is compiled as part of Attachment A to this report.

14.4.1 Animal Control

The City is the service provider for animal control. In FY 2014 total City expenditures for this function were \$7,354,084. San Jose also provides animal control to the cities of Cupertino, Los Gatos, Milpitas and Saratoga. Service level statistics are included in Attachment A.

14.4.2 Law Enforcement

San Jose's Police Department provides law enforcement and dispatch services within the City. The Police Department operates one police station and employs 1,109 sworn officers. During FY 2014, there were 550,991 calls for service. The City reports that response time for Priority One calls averaged 6 minutes and 42 seconds. The City's goal for response time for Priority One calls is 6 minutes.

City staff indicated difficulties in recruiting and retaining police officers. Retirements and restoration of officer positions in other agencies in the region are resulting in officers separating employment with the City. Reductions to compensation packages during the Great Recession are creating competitive pressures with other agencies.

In FY 2014, total Police Department expenditures in the Operating Budget were \$305,296,726. Approximately 31% of the City's General Fund is dedicated to the Police Department.

Staff reported that San Jose does not share any specialized police services with other agencies in the County.

14.4.3 Library

The City is the primary provider of library services, with 23 branches. Annual print circulation is approximately 10.7 million, and over 110,000 digital books and e-audiobooks are available for download to library patrons.

The City's downtown facility, known as the Martin Luther King Junior Library, is a partnership between California State University, San Jose (SJSU) and the City. At this facility residents have access to SJSU's academic collection and the City's entire network of community libraries.

14.4.4 Lighting

Lighting within the City is provided and maintained by the City. A summary of lighting infrastructure is provided in Attachment A.

14.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. In FY 2014, total Parks, Recreation and Neighborhood Services (PRNS) Department expenditures in the Operating Budget were \$57 million. The City has 194 parks and a total of 3,458 park and open space acres accessible to the public.

The City operates 54 community centers, three golf courses, and seven swimming pools. Of the City's 54 community centers, 42 are operated through the City's facility Re-Use Program, allowing nonprofit organizations to use these public facilities for no or low-cost.

14.4.6 Solid Waste

The City of San Jose has an agreement with Republic Services (formerly Allied Waste) for commercial collection of solid waste and agreements with Garden City Sanitation, GreenTeam of San Jose (Waste Connections Inc.), California Waste Solutions and GreenWaste Recovery for the residential collection of solid waste within the City. In FY 2014, expenditures for public solid waste services were \$112 million.

In CY 2013, San Jose disposed of 560,681 tons of solid waste. San Jose offers residents unlimited commingled recycling, unlimited loose-in-the-street yard trimmings, and processes garbage from apartments and approximately 40% of single-family homes. Commercial customers are provided a wet/dry system, in which businesses separate their waste into these two categories. The CY 2013 solid waste diversion rate was 73%. Three active solid waste disposal facilities are located within San Jose.

14.4.7 Streets

The City of San Jose maintains 4,271 lane miles. The number of miles of sidewalk is not inventoried by the City. Street sweeping of residential streets is provided by contract and street sweeping of arterial and collector streets is performed by City staff. Street sweeping is provided by contract. The City maintains approximately 18,478 street trees. The City's pavement condition index (PCI) is 62, which falls below its PCI goal of 70.

14.4.8 Stormwater

Compliance of San Jose's stormwater program is overseen by the City's Environmental Services Department, operations and maintenance is managed by the City's Department of Transportation, and capital improvements are implemented by the City's Public Works Department. San Jose is subject to the new regulations coming into effect from changes to state and federal regulations. San Jose participates in SCVURPP along with several other South Bay cities, the County, and the Santa Clara Valley Water District to address water pollution on a regional basis. SCVURPP members, along with the larger membership of the Bay Area Stormwater Management Agencies Association (BASMAA), share a common NPDES permit, allowing member agencies to discharge stormwater into their respective jurisdictional waterways and the San Francisco Bay.

14.4.9 Utilities

PG&E is the electricity and gas provider within San Jose. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the City of San Jose. The City did not indicate concerns about PG&E's ability to serve San Jose's existing population or its future demand for energy and natural gas.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving San Jose are AT&T and Comcast. San Jose indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

14.4.10 Wastewater

The City of San Jose's Environmental Services Department manages and maintains the wastewater treatment facility. The Department of Public Works designs and builds sanitary sewer infrastructure. The Department of Transportation performs day-to-day operation and maintenance of the sewer system. In FY 2014 total expenditures for this function were \$169,622,000, as stated in the FY 2014 CAFR.

San Jose co-owns and co-operates a wastewater treatment plant, called the San Jose-Santa Clara Regional Wastewater Facility. San Jose's controlled share of the wastewater facility is 75%. The plant has sufficient capacity to meet existing demand, and the cities have begun planning improvements to accommodate future demand. In 2013, the San Jose and Santa Clara City Councils adopted the Plant Master Plan (PMP), which identified more than 100 capital improvement projects totaling over \$2.1 billion to be implemented at the wastewater facility over the next 30 years. In 2014, the cities adopted a process to update and prioritize the recommended PMP projects into 33 construction packages to be initiated in the next ten years. At the time of the Cities Service Review, staff representing the cities of San Jose, Santa Clara, and Tributary Agencies (Campbell, Cupertino, Los Gatos, Milpitas, Monte Sereno, and Saratoga) are discussing a funding strategy for the prioritized capital improvements.

Sludge is treated and processed (converted to biosolids) and used as alternate daily cover for landfills. Recycled water is available within San Jose through SBWR, a program of the wastewater facility that is administered by the City of San Jose. Nine partner agencies, including the cities of Milpitas and Santa Clara, receive recycled water through SBWR. The SBWR system in San Jose is comprised of 130 miles of recycled water pipelines and five pump stations and serves more than 750 customers. By 2022, the City has set a goal to either recycle or reuse 100% of the wastewater generated in the City.

The Departments of Transportation and Public Works collectively work to maintain, operate, improve and construct the City's sanitary sewer collection system. The sewer system currently consists of 2.294 miles of sewer lines, approximately 50,000 manhole structures and 16 pump stations.

14.5 Financial Information

The following section provides key financial data points related to San Jose's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, San Jose's total citywide expenditures exceeded \$1.2 billion. Approximately 58% (\$715.3 million) of these were General Fund expenditures.

14.5.1 Revenues and Expenditures

The City's primary source of revenue is property tax. Since FY 2009 property tax revenue has increased by about \$63 million (21%), which now includes the excess property tax increment previously collected by the City's former redevelopment agency that was dissolved by the state in 2012. Sales tax revenue in San Jose in FY 2014 is significantly above pre-Great Recession levels (see Table 160).

Table 160. City of San Jose Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Property Tax	\$304,927,000	\$368,233,000
Sales Tax	\$127,802,000	\$173,412,000
Utility Users Tax	\$93,619,000	\$114,486,000

Source: CAFR

A summary of the City's General Fund revenues and expenditures is shown in Table 161.

Table 161. City of San Jose Major Sources of General Fund Revenues and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$663,096,000	\$786,938,000
Total General Fund Expenditures	\$719,448,000	\$715,328,000
Top Four Sources of General Fund Revenues		
Taxes and special assessments	\$494,169,000	\$615,099,000
Licenses, permits, and fines	\$84,274,000	\$66,826,000
Charges for current service	\$28,140,000	\$42,806,000
Other revenue	\$32,606,000	\$39,461,000
Top Four Sources of General Fund Expenditures		
Public Safety	\$419,043,000	\$462,187,000
Community Services	\$138,992,000	\$107,512,000
General Government	\$98,536,000	\$75,559,000
Capital Maintenance	\$53,440,000	\$64,845,000

Source: CAFR

14.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 162.

Table 162. City of San Jose Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$3,531,212,000	\$1,151,610,000
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	2.8%	0.9%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	0.9%	2.7%
Unfunded pension liability	\$344,688,000	\$2,037,241,000

Source: CAFR

14.5.3 Reserves

San Jose's unassigned General Fund reserve levels have decreased since FY 2009. However, the City's overall unrestricted General Fund reserves (those reserves over which the City has discretion) has increased from \$178.8 million in FY 2009 to \$284.2 million in FY 2014. The City has made decisions through legislative action to assign portions of its unassigned General Fund reserves for purposes such as building development fees, Police Department staffing, and other governmental functions and services (See Table 163).

Table 163. City of San Jose Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$81,043,000	\$50,638,000
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	None	None

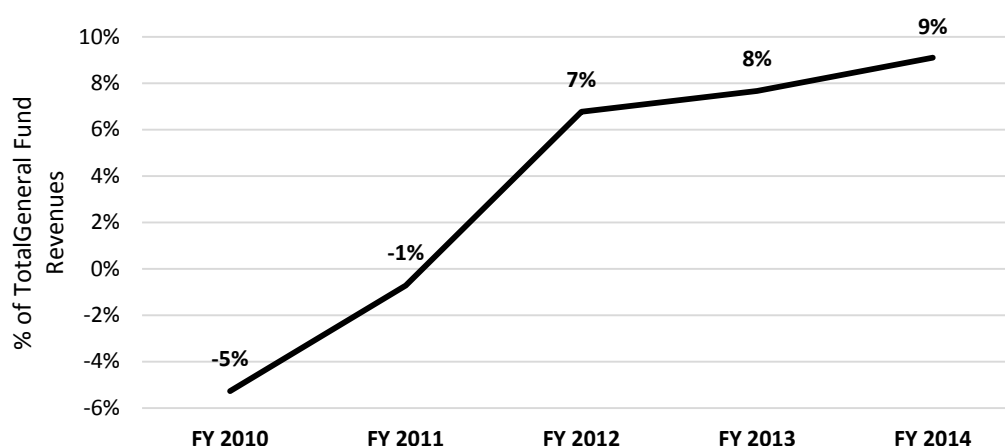
Source: CAFR

14.5.4 Financial Health Indicators

Using select indicators from the League of California Cities' Financial Health Diagnostic Tool, the City of San Jose is in positive fiscal health.

Over the past three years the City has accumulated annual surpluses in the General Fund. The City's General Fund surplus has increased by 14 percentage points since FY 2010, an indicator of positive fiscal health. The trend of the City's General Fund deficit/surplus is shown in Figure 36.

Figure 36. City of San Jose Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

As reported in the City's recent 2016-2020 Five-Year Forecast Report, issued in February 2015, the City's General Fund revenues and expenditures are in close alignment, with a small surplus projected. In the 2015-2016 Adopted Operating Budget, a small General Fund surplus of \$9.4 million was allocated. The forecast for FY 2017 through FY 2020 projects a small surplus totaling \$9.9 million (2016-2020 Five-Year Forecast Report). The forecast does not include costs associated with fully funding the Annual Required Contributions for retiree healthcare, restoration of key services, or unmet/deferred infrastructure and maintenance needs.

Table 164 shows the City's General Fund Fiscal Indicators. Not included in the FY 2015 operational surplus/deficit is a transfer from the General Fund of \$34.6 million to fund capital projects, which if recurring in nature would impact the General Fund's long-term fiscal health. The City's liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 22.8% exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 164. City of San Jose General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	-19.6%
FY 2014	Liquidity Ratio ¹	9.9
FY 2014	Fund Balance as percent of Expenditures ²	22.8%

Source: CAFR

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

14.5.5 Financial Reporting

The City's CAFR is prepared in a timely manner and audited by an independent CPA. See Table 165.

Table 165. City of San Jose Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

14.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of San Jose.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of San Jose serves 1,016,479 residents within its 180.67 square mile incorporated area. ABAG projects that the City's population will grow steadily by approximately 1.2% per year, leading to a population of 1,334,100 in 2040.

Twenty-one unincorporated islands exist within the City of San Jose.

The City has identified sufficient housing opportunities to meet its RHNA of 35,080 housing units between 2014 and 2022. The City does not anticipate that growth patterns will expand beyond San Jose's existing USA. Within San Jose there are eight planned PDAs and 12 potential PDAs for infill development.

The City's most recent general plan was adopted in November 2011.

The City's existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

Four DUCs were identified within the City of San Jose's SOI. Three of the four DUCs (i.e. SJ DUC No.1, SJ DUC No. 2, and SJ DUC No. 3) are located in the Burbank neighborhood and consist primarily of residential and commercial land uses. These DUCs receive sewer service from the Burbank Sanitary District, and water service from San Jose Water Company. These DUCs are located within the Santa Clara County Central Fire Protection District, which contracts with the City of San Jose for fire protection service in these areas.

The other remaining DUC (i.e. SJ DUC No. 4) consists of the County Fairgrounds and two adjacent primarily residential areas. This DUC receives sewer service from County Sanitation District No. 2-3, and water service from the San Jose Water Company. This DUC is also located within the Santa Clara County Central Fire Protection District which contracts with the City of San Jose for fire protection service in this area.

All four DUCs receive adequate public services and no infrastructure needs or deficiencies related to sewers, water, and fire protection were identified.

All four DUCs are also unincorporated islands surrounded by San Jose. Under the joint policies of the County, the fifteen Cities, and LAFCO, urban unincorporated islands should eventually be annexed into their surrounding cities – so that cities have urban service responsibilities and land use authority over all lands within their urban service area boundaries. Therefore, these DUCs should eventually be annexed into the City of San Jose.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCS WITHIN OR CONTIGUOUS TO THE SOI

The City of San Jose does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

No deficiencies were identified in service the DUC areas within the City's SOI.

The City's Priority One response time of 6 minutes and 42 seconds exceeds the goal response time of 6 minutes that it has established. In addition, The City's Pavement Condition Index of 62 in 2014 is currently below the goal index of 70 that it has established.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

San Jose's General Fund operated at a deficit in FY 2010 and 2011, but has operated at a surplus since that time as economic recovery from the Great Recession and reductions in service levels took effect. The City's updated five-year financial plan indicates a slight operating surplus totaling \$9.4 million in FY 2015-16, and a total surplus from FY 2017 to FY 2020 totaling \$9.9 million. However, the five-year forecast does not include costs associated with fully funding the annual required contributions for retiree healthcare, restoration of key services, or maintenance of infrastructure that has either been deferred or not completed according to plan. San Jose's General Fund reserves of 22.8% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City's ability to meet future service needs in the event of an economic downturn. In addition, the City's liquidity ratio of 10:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of San Jose has indicated the financial resources necessary to accommodate current capital improvement plans, but will be challenged to address significant deferred infrastructure maintenance costs in the near future pending the outcome of its Fiscal Reform Plan.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of San Jose is engaged in service sharing agreements as identified in Table 166 below.

Table 166. Summary of Shared Services in the City of San Jose

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	Services Agreement	City of San Jose
Environmental Services	JPA	Habitat Agency

Law Enforcement – Radio Communications	JPA	SVRIA
Stormwater	MOU	SCVURPPP
Wastewater Treatment	Partnership Agreement	City of San Jose

Further opportunities to share services were identified in the area of expanded recycled water treatment and distribution provided by its wastewater treatment plant.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

San Jose provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of San Jose promotes accountability for its community service needs.

14.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

LAFCO established the City's SOI boundaries in 1984 to be coterminous with the Planning Area delineated in the City's 1984 general plan, which distinguished this line as the first ridgeline of the foothills' rise from the valley floor. San Jose's SOI boundary includes lands that are planned for both urban uses as well as lands planned for permanent open space uses. Therefore, LAFCO concluded in 1984 that the City's SOI Boundary was not a commitment to staging urban expansion but rather a planning tool for LAFCO to use as a framework in considering expansion actions. The City's SOI also delineated areas in which the City and the County have shared interests in preserving non-urban land uses. The City is bounded by Milpitas to the northeast; Santa Clara to the northwest; Campbell, Cupertino, Saratoga, and Los Gatos to the southwest, and Morgan Hill to the southeast. The SOI boundary also extends approximately 5 miles into the southern extent of San Francisco Bay.

It is recommended that LAFCO reaffirm the City of San Jose's existing SOI boundary because the City's SOI boundary serves multiple purposes including serving as:

- A long range planning tool to help LAFCO evaluate USA boundary changes and annexation requests.
- Areas that will not necessarily be annexed to the City or will not necessarily receive services from San Jose, but are areas in which the County and San Jose may have shared interests in preserving non-urban levels of land use. Specific examples include the Coyote Valley Greenbelt area and the foothills and ridgelines surrounding the City. Furthermore, both the City and the County share a mutual interest in protecting view sheds and natural resources.
- Areas where the City and the County have significant interaction.

- Areas that contain social and economic communities of interest to the City, such as areas within the City's jurisdictional boundaries.

In making this recommendation, it should be made clear that inclusion of an area within the City's SOI boundary should not necessarily be seen as an indication that the City will or should either annex or allow urban development and services in the area. The City's USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether the areas will be annexed and provided urban services.

SOI DETERMINATIONS FOR THE CITY OF SAN JOSE

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within San Jose's service review profile in this chapter, the following determinations are provided to update the City's existing SOI.

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

San Jose's voters adopted a strong Urban Growth Boundary (UGB) to limit its outward growth and protect its adjacent open space and farmland. The UGB is close to coincidental with the City's Urban Service Area. It takes a vote of the people to modify the UGB and the general plan indicates that it will not consider modifying its UGB (or USA) until at least 2040. A variety of urban uses are planned within San Jose's USA boundary and UGB. The County's and City's general plans call for the continuation of non-urban uses beyond the City's USA boundary.

2. The Present and Probable Need for Public Facilities and Services in the Area

The need for a full range of public facilities and services is expected to grow modestly in the future.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, San Jose indicated significant challenges it faces in securing a Fiscal Reform Plan to address budgetary operating deficits and to provide adequate funding to address significant deferred infrastructure maintenance costs in the near future.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There exist social and economic conditions that cause interaction and interdependence between the City and the areas within its SOI boundary.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

The City is able to provide these services to these areas.

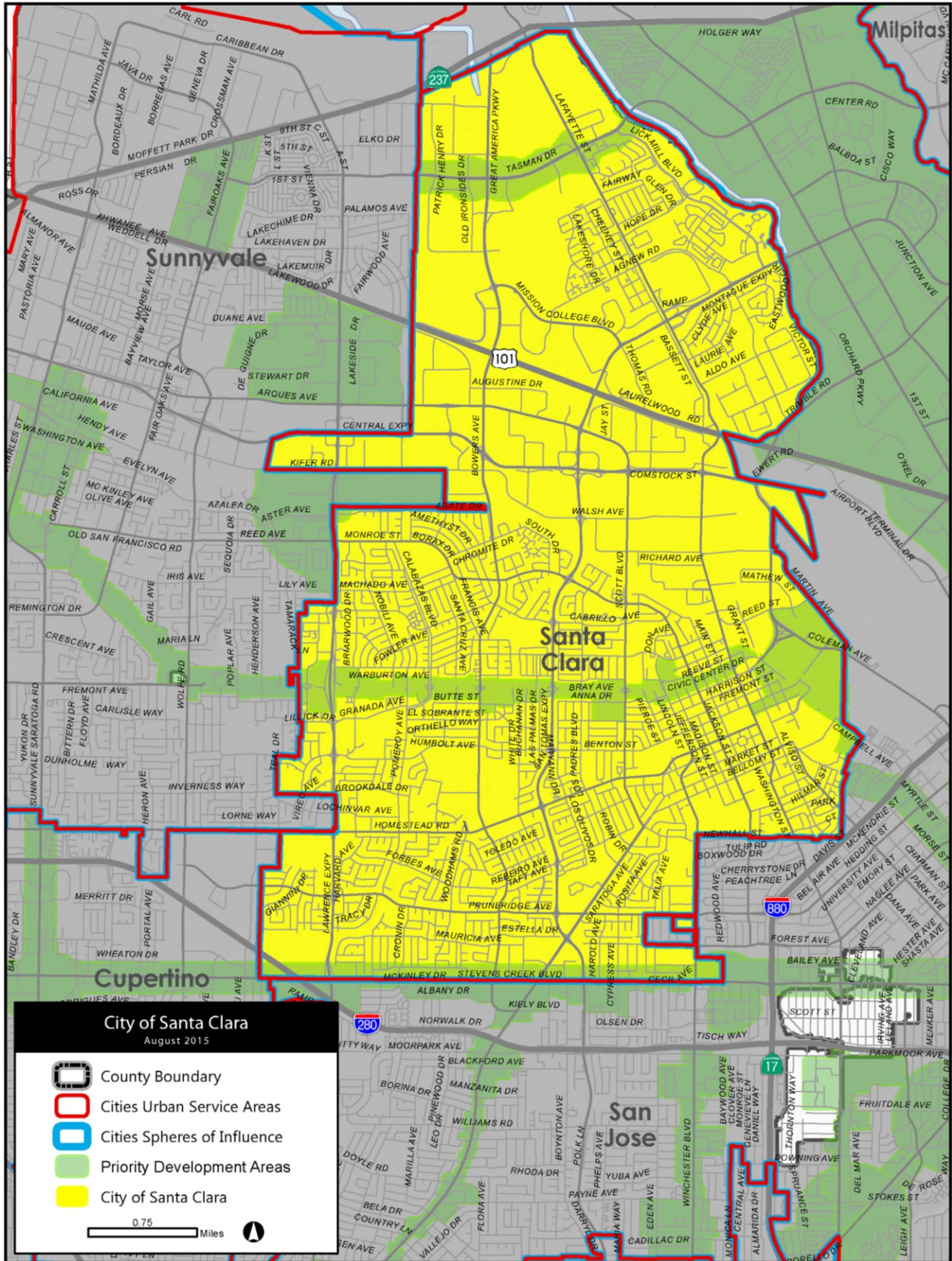
15 City of Santa Clara



15.1 Agency Overview

The City of Santa Clara was incorporated in July 1852. According to the California DOF 2015 estimates, the population of Santa Clara is 120,973. As of 2015, the City's incorporated area spans 18.18 square miles. Levi's Stadium, home of the San Francisco 49ers and future site of Super Bowl 50 in 2016, opened in the City in 2014. The stadium is having a significant impact on development, economic growth, transportation, and service delivery for the City. As of 2015, Santa Clara's USA and SOI both encompass 19.3 square miles. These boundaries can be seen in Figure 37.

Figure 37. City of Santa Clara Existing Boundaries



15.1.1 City Staffing

In FY 2014, total City staffing included 933.5 FTE employees. As shown in Table 167, the greatest number of FTEs is assigned to the police function.

Table 167. City of Santa Clara Staffing in Top Four Functions

City Staffing by Major Service Function	FY 2014 FTEs
Police	211.0
Fire	179.5
Electric Utility	142.0
Parks and Recreation	82.0

Source: CAFR

15.1.2 Form of Government

Santa Clara is a charter city that operates under a council-manager form of government. The Mayor is elected at large and serves a four-year term. The City Council consists of six members who are elected at large. Council members serve four-year terms and select a Vice Mayor annually.

15.1.3 Joint Powers Authorities

The City of Santa Clara is a member of three JPAs, as shown in Table 168.

Table 168. City of Santa Clara Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Bayshore North Project Enhancement Authority	Enhance economic development opportunities
Silicon Valley Animal Control Authority	Animal control
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability

Source: City website and City staff interviews

15.1.4 Awards and Recognition

The City of Santa Clara has been the recipient of two awards between 2010 and 2015, as shown in Table 169.

Table 169. City of Santa Clara Recent Awards

Name of Award	Issuer	Year(s) Received
Bicycle Friendly Community (Bronze)	League of American Bicyclists	2010 and 2014
Recycled Water Agency of the Year	WaterReuse	2014
E Source Award of Excellence	Solar Electric Power Association	2010 and 2012

Source: City of Santa Clara staff

15.2 Growth and Population

15.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region's population, housing, and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG's projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The City of Santa Clara uses the ABAG population projections for its long-term planning. ABAG's projections for population, households (occupied housing units), and jobs are shown in Table 170.

Table 170. City of Santa Clara Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
Population	116,468	122,500	128,700	135,000	141,700	149,000	156,500
Total Jobs	112,890	121,950	131,960	134,650	137,480	141,700	146,180
Total Households	43,021	45,350	47,760	50,050	52,490	54,830	57,260

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

15.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 121,950 jobs within the community and 58,730 employed residents. Within Santa Clara, there are 2.08 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Santa Clara has 44,632 housing units; when combined with ABAG's estimate of 121,950 jobs within the City, jobs and housing balance is 2.73.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 171 shows, the majority of housing units in Santa Clara are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the City of Santa Clara's assigned housing need is 4,093 units. In December 2014, Santa Clara adopted its 2015-2023 Housing Element and demonstrated that it has sites and housing opportunities available to accommodate 6,077 units, which is 1,984 units in excess of its assigned regional share of 4,093 units. The City of Santa Clara's housing element was certified by the State of California's Housing and Community Development Department in February 2015.

Table 171. City of Santa Clara Housing Profile

Housing Statistic	Number
Number of total existing housing units	44,632
Owner-occupied (SFR) housing units	19,079
Renter-occupied housing units	23,264
RHNA by income category	2014 to 2022
Above moderate	1,593
Moderate	755
Low	695
Very Low	1,050
Total	4,093

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

15.2.3 Planning and Building

In FY 2014, Santa Clara issued a total of 6,650 residential and commercial building permits. Total building permit valuation is estimated at \$562.5 million.

The City's total assessed valuation for FY 2014 is approximately \$27.0 billion. This represents a 10% increase from FY 2009.

15.2.4 Priority Development Areas

The City has two planned PDAs. The first PDA, known as the El Camino Real Focus Area, is approximately 236 net acres and is categorized as a future mixed-use corridor served by VTA's existing and planned bus rapid transit network. Santa Clara's plans for the El Camino Real PDA are detailed in the general plan; staff are currently working on a Precise Plan for the PDA. MTC recently awarded the City a grant to prepare a plan for this PDA.

The second planned PDA, known as the Santa Clara Station Focus Area, is approximately 217 net acres and is categorized as a future city center area. The Santa Clara Station will eventually be the terminus of the BART station, connecting riders to the Cal Train and Altamont Corridor Express (ACE) train networks. City staff indicated there is some community opposition to the development of these PDAs. Residents are well-informed and engaged in the process. Plans for both PDAs are detailed in the City's general plan.

The City is also included in VTA's potential PDA (see section 22.1.4 for complete definition) for a future mixed use corridor along De Anza Boulevard. If pursued, this potential PDA would encompass 385 net acres and connect to CalTrain, ACE, and VTA's bus rapid transit and light rail networks.

15.2.5 Planning for an Aging Population

Several measures to accommodate the needs of the aging population within Santa Clara have been adopted. These include offering robust senior center programs, assisting in aging-in-place programs and Americans with Disability Act (ADA) improvements. Additionally, Santa Clara has actively sought out developers that provide assisted living and senior housing.

15.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

15.3.1 Planning Boundaries

The City's USA and municipal boundaries are nearly contiguous with the exception of seven unincorporated areas. These islands are discussed below in section 15.3.2.

The City has no plans to amend its USA or SOI within the next five years. It is not currently providing services to the area outside of its city boundaries.

15.3.2 Unincorporated Islands

Seven unincorporated islands exist within the City of Santa Clara's USA. Together, these islands comprise approximately 31.5 acres. Six islands (SC01: 14.0 acres, SC02: 0.9 acres, SC03: 2.3 acres, SC04: 1.2 acres, SC05: 12.1 acres, SC07: 0.5 acres) are located primarily along the Santa Clara/San Jose border along the Guadalupe River and a small segment of Tasman Drive. The island known as SC06 is 0.5 acres in the western part of the City. SC06 includes a residential development and portion of Saratoga Creek. Given their small sizes, all seven islands are eligible for streamlined annexation through LAFCO. The City did not indicate interest in pursuing annexation of these islands at the time of the Cities Service Review.

As mentioned in chapter 17, an island known as SV02 is located along the City of Sunnyvale's border with Santa Clara. SV02 is parallel to the CalTrain/Union Pacific railroad tracks and right-of-way. Ongoing discussions regarding SV02 are taking place between Sunnyvale and Santa Clara concerning which jurisdiction should annex the island given its location. However, a change to the common SOI would be needed for the island to be annexed by Santa Clara.

Maps of each city's unincorporated islands are included in Attachment B.

15.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the City of Santa Clara.

15.4 City Services

In Santa Clara core municipal services are primarily delivered by City staff. The primary service provider for the major municipal services discussed in this report is summarized in Table 172.

Unless specifically noted, the City of Santa Clara did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 172. City of Santa Clara Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	City	
Law Enforcement	City	
Library	City	
Parks and Recreation	City	
Planning/Building	City	

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Solid Waste	Franchise Agreement	Mission Trail Waste Systems (solid waste), Recology Santa Clara (recycling)
Streets	City	
Stormwater	City	
Utilities		
Electricity	City: Silicon Valley Power	
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement City (dark fiber)	AT&T, Comcast (State-Issued Franchise)
Wastewater	City	

Source: City website and City Staff interviews

In the past five years the City has not stopped or started providing any municipal services. Given the expected population growth for the City of Santa Clara, City staff does not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

15.4.1 Animal Control

The City is the primary service provider for animal control within the City of Santa Clara. FY 2014 total City expenditures for this function were not available at the time of the Cities Service Review. Service level statistics are included in Attachment A.

15.4.2 Law Enforcement

The City is the primary service provider for law enforcement and dispatch services within the City of Santa Clara. Santa Clara has one police building and a substation, and 142 sworn officers. During FY 2014, there were 59,158 calls for service. The City reports that response time for Priority One calls averaged 4 minutes and 35 seconds.

In FY 2014, total City expenditures on this function were \$45,418,607. Approximately 31% of the City's General Fund is dedicated to law enforcement.

15.4.3 Library

The City is the service provider for library services within the City of Santa Clara. There are three facilities located within the City. Annual print circulation is about 2.26 million and there are 50, 727 digital books available for download to library patrons.

15.4.4 Lighting

Lighting within the City is provided and maintained by the City's electric department, known as Silicon Valley Power (SVP). A summary of lighting infrastructure is provided in Attachment A.

15.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. FY 2014 total expenditures for parks and recreation were \$14,033,525. The City has 32 parks and a total of 273 park acres. The number of acres of open space owned by the City and publicly accessible was not available at the time of the Cities Service

Review. The City reports 2.2 park acres per 1,000 population, which falls below their goal of 3.0 park acres per 1,000 population.

The City operates two community centers, one senior center, one teen center, one golf course, and five swimming pools.

15.4.6 Solid Waste

The City has a franchise agreement with Mission Trail Waste Systems for solid waste services, and a franchise agreement with Recology Santa Clara for recycling services within the City. In FY 2014, City expenditures for public solid waste services were \$18,492,480.

In CY 2013, Santa Clara disposed of 120,563 tons of solid waste. Santa Clara offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the City's amount of pounds of solid waste disposed per person per day was 5.5 for its general population, meeting the state's goal for the community of 8.2 pounds. The pounds of solid waste per person per day for employees in the community was 6.0, meeting the state's goal for the community of 9.0 pounds. Solid waste collected in Santa Clara is taken to the Newby Island Landfill through a service agreement that expires in 2024.

15.4.7 Streets

The City of Santa Clara maintains 593 lane miles of streets and 420 miles of sidewalk. The City expends between \$2 and \$3 million annually on street-related expenditures. Street sweeping is provided by the City. The City maintains approximately 11,117 street trees. The City's pavement condition index (PCI) is 75.

15.4.8 Stormwater

The City's stormwater system is managed and maintained by the City's Public Works Department. Santa Clara's stormwater system is approximately 60 years old. The City is in the process of conducting a condition assessment and writing a master plan for the system. Upkeep of the storm drain system is a challenge for the City, as revenue from parcel fees does not cover maintenance costs. Upon completion of the master plan, the City expects stormwater system maintenance needs may justify an increase in fees.

Santa Clara participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information).

15.4.9 Utilities

PG&E is the gas provider within Santa Clara. PG&E did not respond to requests to identify the total number of PG&E gas meters in the City of Santa Clara. The City did not indicate concerns about PG&E's ability to serve Santa Clara's existing population or its future demand for natural gas.

The City's Electric Department, known as Silicon Valley Power, or SVP, is the electricity provider within the City of Santa Clara. There are 52,775 electric meters in the City. City staff did not indicate concerns about SVP's ability to serve Santa Clara's existing population or its future energy demand. SVP serves a peak load of 482 MW, and both produces and imports electricity.

AT&T and Comcast both provide telecommunications (telephone, high speed internet and land-based video/cable services) to Santa Clara. Additionally, most of the City is covered by a free, outdoor Wi-Fi network provided by SVP called MeterConnect. SVP also operates a dark fiber ring that a number of commercial users tap into. Santa Clara staff indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

15.4.10 Wastewater

The City of Santa Clara's Sewer Utility provides wastewater service. In FY 2014 total expenditures for this function were \$17,271,837.

Santa Clara co-owns and co-operates a wastewater treatment plant, called the San Jose-Santa Clara Regional Wastewater Facility. Santa Clara's controlled share of the wastewater facility is 25%. The plant has sufficient capacity to meet existing demand, and the cities have begun planning improvements to accommodate future demand. In 2013, the San Jose and Santa Clara City Councils adopted the PMP, which identified more than 100 capital improvement projects totaling over \$2.1 billion to be implemented at the wastewater facility over the next 30 years. In 2014, the cities adopted a process to update and prioritize the recommended PMP projects into 33 construction packages to be initiated in the next ten years. At the time of the Cities Service Review, staff representing the cities of San Jose, Santa Clara, and Tributary Agencies (Campbell, Cupertino, Los Gatos, Milpitas, Monte Sereno, and Saratoga) are discussing a funding strategy for the prioritized capital improvements.

Sludge is treated and processed (converted to biosolids) and used as alternate daily cover for landfills. Recycled water is available within Santa Clara through SBWR, a program of wastewater facility that is administered by the City of San Jose. Nine partner agencies, including the cities of Milpitas and San Jose, also receive recycled water through SBWR. In Santa Clara, recycled water is primarily used for commercial landscaping. The recycled water system has capacity to grow and, as a result, the City is trying to increase the number of commercial and industrial users.

15.5 Financial Information

The following section provides key financial data points related to Santa Clara's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Santa Clara's total citywide expenditures exceeded \$173.2 million. Approximately 85% (\$147.1 million) of these expenditures constituted General Fund expenditures.

15.5.1 Revenues and Expenditures

The City's primary source of revenue is sales tax. Sales tax revenue in Santa Clara in FY 2014 is significantly above pre-Great Recession levels. Sales tax revenue has increased about \$11.8 million (34%) since FY 2009. During the same period, property tax revenue has increased by about \$9.4 million (31%). This now includes the excess property tax increment previously collected by the City's former redevelopment agency that was dissolved by the state in 2012 (see Table 173).

Table 173. City of Santa Clara Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Sales Tax	\$34,893,918	\$46,735,959
Property Tax	\$29,832,933	\$39,187,491
Utility Users Tax	N/A	N/A

Source: CAFR

A summary of the City's General Fund revenues and expenditures is shown in Table 174.

Table 174. City of Santa Clara Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$132,168,321	\$171,941,349
Total General Fund Expenditures	\$140,853,167	\$147,137,416
Top Four Sources of General Fund Revenues		
Sales Tax	\$34,893,918	\$46,735,959
Property Tax	\$29,832,933	\$39,187,491
Charges for Service	\$20,608,165	\$31,795,529
Contributions in-lieu of Taxes	\$15,149,536	\$16,591,452
Top Four Sources of General Fund Expenditures		
Public Safety	\$76,927,900	\$78,527,531
Public Works	\$15,143,468	\$15,172,213
Parks & Recreation	\$12,437,488	\$14,033,525
General Administration	\$12,330,571	\$12,690,769

Source: CAFR

15.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 175.

Table 175. City of Santa Clara Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$55,655,000	\$26,209,769
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.3%	0.1%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	2.4%	2.2%
Unfunded pension liability	\$142,766,199	\$378,539,879

Source: CAFR

15.5.3 Reserves

Santa Clara's unassigned General Fund reserve levels have increased since FY 2009, however the City had designated over \$15.8 million in FY 2009 as working capital in its CAFR. Since that time, the City Council adopted a revised fund balance policy and is now reporting such reserves as unassigned in accordance with government accounting standards. The increases in General Fund reserves are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the City (see Table 176).

Table 176. City of Santa Clara Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$0	\$23,910,296
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$0	\$0

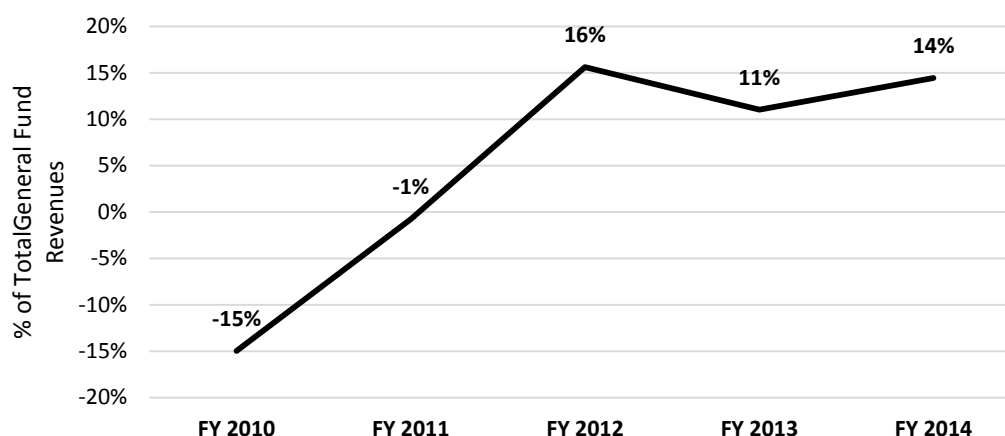
Source: CAFR

15.5.4 Financial Health Indicators

Using select indicators from the League of California Cities' Financial Health Diagnostic Tool, the City of Santa Clara is in positive fiscal health.

Over the past three years the City has accumulated annual surpluses in the General Fund. The City's General Fund deficit/surplus has increased by 29 percentage points since FY 2010, an indicator of positive fiscal health. The trend of the City's General Fund deficit/surplus is shown in Figure 38.

Figure 38. City of Santa Clara Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

The City approved an operating budget surplus in its General Fund for FY 2015, and has a five-year financial plan that provides for maintaining a healthy level of General Fund reserves over that period. The City has generally been conservative in its budget estimations, and actual performance typically exceeds budgeted forecasts. The City's policy is to transfer a portion of year-end surplus General Fund reserves to the Capital Projects Reserve fund to provide funding for future capital projects. The City anticipates a transfer of year-end reserves from the General Fund of \$3.3 million.

Table 177 shows the City's General Fund Fiscal Indicators. The City's liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 19.5% exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 177. City of Santa Clara General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	2.3%
FY 2014	Liquidity Ratio ¹	2.9
FY 2014	Fund Balance as percent of Expenditures ²	19.5%

Source: CAFR, City Finance Staff

¹Calculated by combining cash and short-term investments and then dividing by current liabilities

²Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

15.5.5 Financial Reporting

The City's CAFR is prepared in a timely manner and audited by an independent CPA. See Table 178.

Table 178. City of Santa Clara Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

15.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Santa Clara.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Santa Clara serves 120,973 residents within its 18.18 square mile incorporated area. ABAG projects that the City's population will grow steadily by approximately 1% per year, leading to a population of 156,500 in 2040.

Seven unincorporated islands exist within the City of Santa Clara. Together, these islands comprise approximately 31.5 acres. Because they are smaller than 150 acres, all seven islands are eligible for streamlined annexation.

The City has identified sufficient housing opportunities to meet its RHNA of 4,093 housing units between 2014 and 2022. The City's borders cannot expand, so Santa Clara does not have the potential for growth beyond its existing USA. Two PDAs are planned within the City for infill development.

The City's most recent general plan was adopted in November 2010.

The City's existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within the City of Santa Clara's SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCS WITHIN OR CONTIGUOUS TO THE SOI

City staff noted that, given new regulations coming into effect, the City is concerned about unfunded state mandates related to stormwater infrastructure maintenance, as the

maintenance of the storm drain system is not fully funded through the existing parcel fees. Funding needs will need to be addressed in the near future.

The City of Santa Clara does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

The City's number of park acres per 1,000 population of 2.23 is below the goal of 3.0 that it has established.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Santa Clara's General Fund operated at a deficit in FY 2010 and 2011, but has operated at a surplus since that time as economic recovery from the Great Recession and reductions in service levels took effect. The City has a five-year financial plan that maintains a healthy level of General Fund reserves. Santa Clara's General Fund reserves of 19.5% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City's ability to meet future service needs in the event of an economic downturn. In addition, the City's liquidity ratio of 3:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of Santa Clara has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency's capital improvement plans. One area of potential concern is stormwater, as discussed under Determination Three.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Santa Clara is engaged in service sharing agreements as identified in Table 179 below.

Table 179. Summary of Shared Services in the City of Santa Clara

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	JPA	SVACA
Economic Development	JPA	Bayshore North Project Enhancement Authority
Law Enforcement – Radio Communications	JPA	SVRIA
Stormwater	MOU	SCVURPPP
Wastewater Treatment	Partnership Agreement	City of San Jose

Further opportunities to share services were identified in the area of expanded recycled water treatment and distribution provided by its wastewater treatment plant.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Santa Clara provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of Santa Clara promotes accountability for its community service needs.

15.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The City's existing SOI is coterminous with its boundary. The City of Santa Clara is completely bounded by the City of Sunnyvale to the west and the City of San Jose to the north, south, and east. Since its SOI is coterminous with its boundary and no further outward expansion is possible, it is recommended that LAFCO reaffirm the existing SOI for the City of Santa Clara.

SOI DETERMINATIONS FOR THE CITY OF SANTA CLARA

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Santa Clara's service review profile in this chapter, the following determinations are provided to update the City's existing SOI:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

The Santa Clara SOI is coterminous with the boundaries of the City. Planned land uses in the City are consistent with existing land uses.

2. The Present and Probable Need for Public Facilities and Services in the Area

The need for a full range of public facilities and services is expected to grow modestly in the future.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Santa Clara is still in the process of addressing the impacts that state mandates will have related to stormwater infrastructure maintenance on budgetary and operational resources, as indicated in the City's service review determination #3 above.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

All communities of interest within the USA and City limit are included within the SOI.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

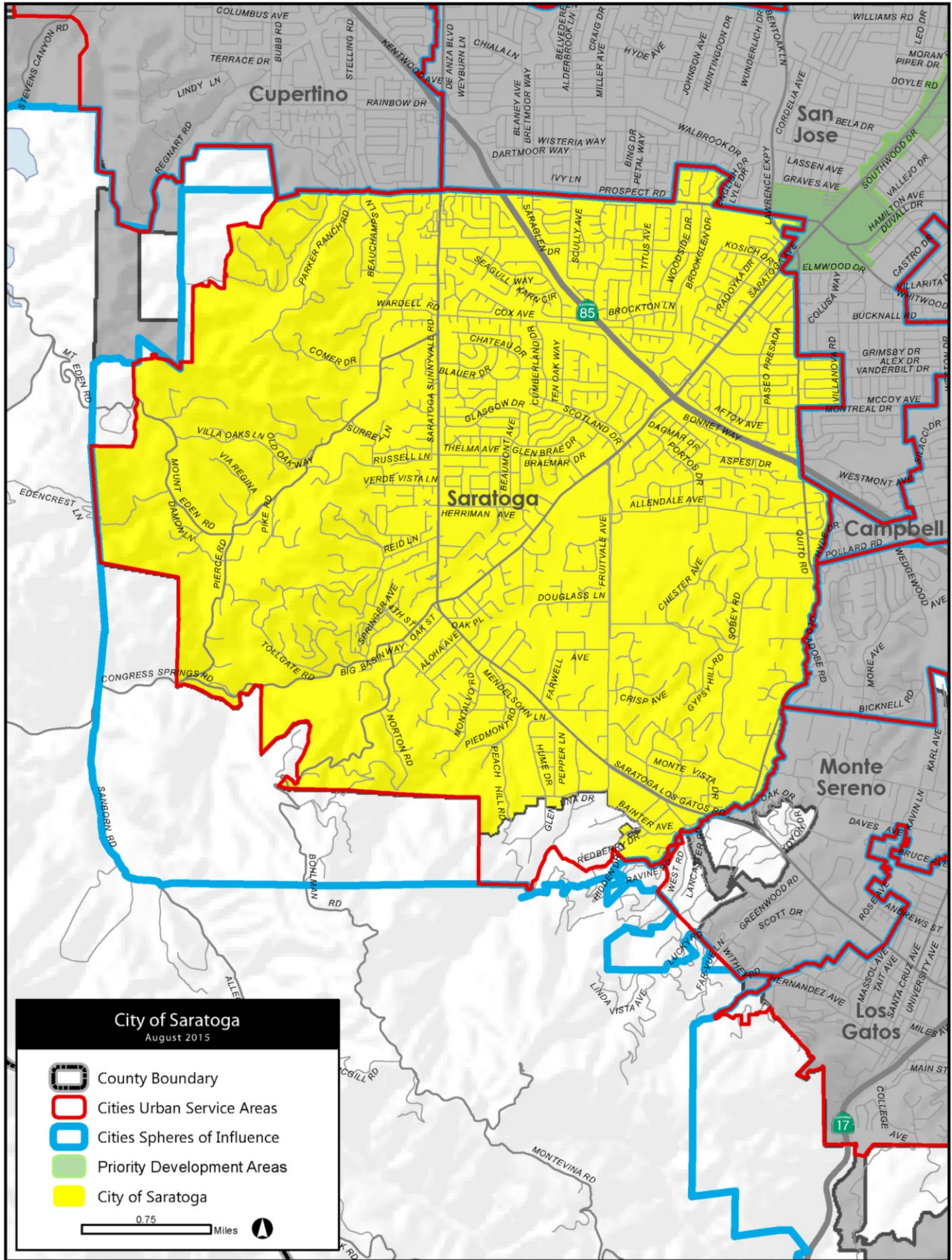
16 City of Saratoga



16.1 Agency Overview

The City of Saratoga was incorporated in October 1956. According to the California DOF 2015 estimates, the population of Saratoga is 30,799. As of 2015, the City's incorporated area spans 12.78 square miles. Located at the base of the Santa Cruz Mountains, the City's predominant land use is residential. Saratoga is home to West Valley Community College and is part of a group of five jurisdictions that comprise the West Valley cities along with the cities of Campbell, Cupertino, Monte Sereno, and the Town of Los Gatos. As of 2015, Saratoga's USA spans 13.1 square miles, and its SOI encompasses 15.6 square miles. These boundaries can be seen in Figure 39.

Figure 39. City of Saratoga Existing Boundaries



16.1.1 City Staffing

In FY 2014, total City staffing included 55.9 FTE employees. As shown in Table 180, the greatest number of FTEs is assigned to the public works function. As discussed in section 16.4 of this document, Saratoga uses contracts to provide a number of services (e.g., law enforcement) or is served by special districts or other agencies with their own revenue sources (e.g. wastewater treatment).

Table 180. City of Saratoga Staffing in Top Four Functions

City Staffing by Major Service Function	FY 2014 FTEs
Public Works	20.7
General Government	13.7
Community Development	12.0
Parks and Recreation	9.6

Source: CAFR

16.1.2 Form of Government

Saratoga is a general law city that operates under a council-manager form of government. The City Council consists of five members who are elected at large. Council members serve four-year terms and select a mayor and vice mayor annually.

16.1.3 Joint Powers Authorities

The City of Saratoga is a member of three JPAs, as shown in Table 181.

Table 181. City of Saratoga Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Santa Clara County Library District	Library services
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability
West Valley Solid Waste Management	Collection, disposal, recycling and landfill diversion of solid waste

Source: City website and City staff interviews

16.1.4 Awards and Recognition

The City of Saratoga has been the recipient of several awards between 2010 and 2015, as shown in Table 182.

Table 182. City of Saratoga Recent Awards

Name of Award	Issuer	Year(s) Received
12th Safest City in U.S.	Neighborhood Scout	2014
2nd Safest City in California	Movoto	2014
6th Safest City in U.S.	Neighborhood Scout	2013
Safest City in California	SafeWise Report	2013

Name of Award	Issuer	Year(s) Received
Make Hunger History Award		2012-2013
Bay Area Green Business		2008-2013
Tree City USA		2007-2014
Distinguished Budget Presentation Award	Government Finance Officers Association	2012-2014
Certificate of Achievement for Excellence in Financial Reporting	Government Finance Officers Association	2011-2013

Source: City of Saratoga staff

16.2 Growth and Population

16.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region's population, housing, and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG's projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. The City of Saratoga uses the ABAG population projections for its long-term planning. However, City staff indicated they believe the ABAG long-term projections for jobs and housing are inflated for Saratoga.

ABAG's projections for population, households (occupied housing units) and jobs are shown in Table 183.

Table 183. City of Saratoga Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
Population	29,926	30,100	30,800	31,600	31,900	32,300	32,700
Total Jobs	9,910	10,360	10,840	10,990	11,170	11,390	11,640
Total Households	10,734	10,790	11,000	11,220	11,270	11,310	11,360

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

16.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 10,360 jobs within the community and 12,240 employed residents. Within Saratoga, there are 0.85 jobs for every employed resident. The U.S. Census American

Community Survey 2013 estimates that Saratoga has 11,324 housing units; when combined with ABAG's estimate of 10,360 jobs within the City, jobs and housing balance is 0.91.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 184 shows, the majority of housing units in Saratoga are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the City of Saratoga's assigned housing need is 439 units. In November 2014, Saratoga adopted its 2015-2023 Housing Element and demonstrated that it has sites and housing opportunities available to accommodate 480 units, which is 41 units in excess of its assigned regional share of 439 units. The City of Saratoga's housing element was certified by the State of California's Housing and Community Development Department in January 2015.

Table 184. City of Saratoga Housing Profile

Housing Statistic	Number
Number of total existing housing units	11,324
Owner-occupied (SFR) housing units	9,320
Renter-occupied housing units	1,620
RHNA by income category	2014 to 2022
Above moderate	93
Moderate	104
Low	95
Very Low	147
Total	439

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

16.2.3 Planning and Building

In calendar year (CY) 2014, Saratoga issued a total of 1,542 residential and commercial building permits. Total building permit valuation is estimated at \$75,342,537.

The City's total assessed valuation for FY 2014 is approximately \$11.5 billion. This represents a 15% increase from FY 2009.

16.2.4 Priority Development Areas

The City has no priority development areas.

16.2.5 Planning for an Aging Population

The City has adopted several measures to accommodate the needs of the aging population within Saratoga. These include adopting second-unit incentives to facilitate construction of second units to allow seniors to age in place or with family members. The City's senior center is operated by a nonprofit group. The City has partnered with the Palo Alto Medical Foundation's Linkages program to better serve the needs of seniors and is looking for other opportunities to fulfill seniors' transportation needs.

16.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

16.3.1 Planning Boundaries

The City's USA and municipal boundaries are nearly contiguous with the exception of one unincorporated area. This island is discussed in section 16.3.2.

The City has no plans to amend its USA or SOI within the next five years. It is not currently providing services to the area outside of its city boundaries.

16.3.2 Unincorporated Islands

One unincorporated island exists within the City of Saratoga's USA. Located in the southeast portion of the City, this island (referred to as STG05) comprises multiple parcels that together total approximately 205 acres.

The City attempted to annex the island in 2014 but was unsuccessful. According to City staff, the annexation did not occur because residents within the unincorporated pocket preferred to remain under the County's jurisdiction, which has fewer regulations than the City. Greater alignment between the County and City of Saratoga's land use policies may incentivize annexation of this island.

Maps of each city's unincorporated islands are included in Attachment B.

16.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the City of Saratoga.

16.4 City Services

In Saratoga core municipal services are delivered by both City staff and contract service providers. As noted earlier, Saratoga is part of the West Valley cities group, which collaborates on many aspects of service delivery. Such collaboration is noted where applicable. The primary service provider for the major municipal services discussed in this report is summarized in Table 185.

Unless specifically noted, the City of Saratoga did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 185. City of Saratoga Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	Contract	City of San Jose Animal Care and Services Department
Law Enforcement	Contract	Santa Clara County Sheriff's Office
Library	JPA	Santa Clara County Library District
Parks and Recreation	City and Contract	Los Gatos-Saratoga Recreation District
Planning/Building	City	
Solid Waste	JPA	West Valley Solid Waste Management, which contracts with West Valley Collection and Recycling
Streets	City	

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Stormwater	City	
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T, Comcast (State-Issued Franchise)
Wastewater	Special District	West Valley Sanitation District, Cupertino Sanitary District

Source: City website and City Staff interviews

In the past five years the City has not stopped or started providing any municipal services. Given the expected population growth for the City of Saratoga, City staff does not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

16.4.1 Animal Control

The City of San Jose is the contract service provider for animal control within the City of Saratoga. In FY 2014 total City expenditures for this function were \$182,164. Service level statistics are included in Attachment A.

16.4.2 Law Enforcement

The Santa Clara County Sheriff's Office is the contract service provider for law enforcement and dispatch services within the City of Saratoga. The County does not operate a police station in the Saratoga city limits. In total, there are 15 sworn officers assigned to Saratoga. During FY 2014, there were 4,585 calls for service. The City reports that response time for Priority One calls averaged 5 minutes and 25 seconds. The City's goal for response time for Priority One calls is 6 minutes.

In FY 2014, total City expenditures on this function were \$4,491,284. Approximately 26% of the City's General Fund is dedicated to law enforcement.

Through its contract with the County, the City of Saratoga has access to many shared specialized resources. These include a SWAT team, helicopter, bomb squad, dive team, crowd control, and crime scene investigation.

16.4.3 Library

The Santa Clara County Library District provides library services within the City of Saratoga. There is one facility located within the City. Annual print circulation exceeds 1.2 million, and nearly 124,000 digital books are available for download to library patrons.

16.4.4 Lighting

Lighting within the City is provided and maintained by the City. A summary of lighting infrastructure is provided in Attachment A.

16.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. FY 2014 total expenditures for parks and recreation were \$1,586,353. The City has 15 parks and a total of 84 park acres. In addition, 64 acres of open space owned by the City are publicly accessible and in the process of being developed as Quarry Park. The

City is working with Midpeninsula Regional Open Space District through a purchase-partnership agreement to open a new park facility in 2015 known as Quarry Park. Upon the opening of Quarry Park in 2015, the total number of accessible park acres will increase by an estimated 64 acres. The City reports 2.8 park acres per 1,000 population, which falls below their goal of 5.0 park acres per 1,000 population.

The City operates two community centers and one senior center. Saratoga is included in the Los Gatos-Saratoga Recreation District, which primarily serves students at local schools. The City's Recreation Department focuses on the population not served by the regional Recreation District. Saratoga also partners with the City of Campbell for a chartered excursions program.

16.4.6 Solid Waste

The City of Saratoga is a member of the West Valley Solid Waste Management Authority JPA. The authority arranges and manages collection, disposal, recycling, and landfill diversion of solid waste originating in the cities of Saratoga, Campbell, Monte Sereno and the Town of Los Gatos. Through the authority, solid waste services are contracted to a service provider (currently West Valley Collection and Recycling). In FY 2014, City expenditures for public solid waste services (household waste augmentation and authority dues) were \$42,235.

In CY 2013, Saratoga disposed of 16,386 tons of solid waste. Saratoga offers green waste and yard trimmings disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the City's amount of pounds of solid waste disposed per person per day was 2.9 for its general population, meeting the state's goal for the community of 4.2 pounds. The pounds of solid waste per person per day for employees in the community was 11.7, meeting the state's goal for the community of 19.4 pounds. No solid waste disposal facility is located within Saratoga, but West Valley Collection and Recycling may use any of the nine landfill transfer stations located within Santa Clara County.

16.4.7 Streets

The City of Saratoga maintains 283 lane miles, 142 center lane miles, and 15 sidewalk miles. The City expends approximately \$1 million annually on paving, including street-related expenditures. Street sweeping is provided by contract. The City maintains approximately 4,200 street trees (excluding those in the lighting landscape assessment districts and Hakone Gardens). The City's pavement condition index (PCI) is 72, which exceeds its PCI goal of 70.

16.4.8 Stormwater

The City's stormwater system is managed and maintained by the City's Public Works Department. Given the new regulations coming into effect, City staff noted concerns about unfunded state mandates related to stormwater. The concerns are about future costs to address the City's aging stormwater system and related system maintenance that has been deferred.

Maintenance of the stormwater system is not funded by a stormwater maintenance fee added to residents' wastewater bills. Unlike the other West Valley cities, Saratoga is served by two sanitary districts (West Valley Sanitation District and Cupertino Sanitary District). Only West Valley Sanitation District assesses a stormwater maintenance fee. Since a similar fee is not collected in the Cupertino Sanitary District, Saratoga officials expressed concern that existing revenue sources are insufficient to fund future necessary stormwater improvements, maintenance, and repairs to ensure compliance with state regulations.

In addition, the City of Saratoga is part of the WVCWP. Along with Campbell, Los Gatos and Monte Sereno, the City of Saratoga helped create WVCWP to control discharge of polluted stormwater into local creeks and the San Francisco Bay. As a part of the WVCWP, Saratoga participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on

SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information). The City reports that it is compliant with NPDES standards.

As part of WVCWP, West Valley cities, including Saratoga, pay a fee to receive administrative guidance and implementation compliance with the regional NPDES requirements. Property owners within the West Valley Sanitation District, which includes a portion of Saratoga, pay a surcharge to fund WVCWP. For residential properties, the fee is approximately \$20 per parcel. Fees for commercial properties vary depending on square footage. The fee is collected as part of the tax roll along with sewer service charges.

16.4.9 Utilities

PG&E is the electricity and gas provider within Saratoga. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the City of Saratoga. The City did not indicate concerns about PG&E's ability to serve Saratoga's existing population or its future demand for energy and natural gas.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Saratoga are AT&T and Comcast. Saratoga indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

16.4.10 Wastewater

The City of Saratoga does not provide wastewater service. The City is bisected by two sanitary districts: West Valley Sanitation District and Cupertino Sanitary District. Together, the districts have 164 miles of sewer within the City. The City reports 1.7 gallons of annual sewer overflow per 100 miles of pipe in 2014.

Saratoga does not operate a wastewater treatment plant. Treatment is handled by the San Jose-Santa Clara Regional Wastewater Facility. Sludge is disposed of as alternate daily cover at Newby Island. Recycled water is not available within the City.

16.5 Financial Information

The following section provides key financial data points related to Saratoga's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Saratoga's total citywide expenditures exceeded \$20.5 million. Approximately 79% (\$16.1 million) of these expenditures constituted General Fund expenditures.

16.5.1 Revenues and Expenditures

The City's primary source of revenue is property tax. Since FY 2009, property tax revenue has increased by about \$1.4 million (17%). Sales tax revenue in Saratoga in FY 2014 remained slightly below pre-Great Recession levels (see Table 186).

Table 186. City of Saratoga Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Property Tax	\$8,147,478	\$9,525,980
Sales Tax	\$1,043,034	\$941,350
Utility Users Tax	N/A	N/A

Source: CAFR

A summary of the City's General Fund revenues and expenditures is shown in Table 187.

Table 187. City of Saratoga Major Sources of General Fund Revenues and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$15,874,201	\$18,268,368
Total General Fund Expenditures	\$15,763,360	\$16,137,578
Top Four Sources of General Fund Revenues		
1. Property taxes	\$8,147,478	\$9,525,980
2. Other revenues	\$1,849,928	\$2,472,609
3. Franchise fees	\$1,656,716	\$1,948,642
4. Licenses and permits	\$1,119,888	\$1,463,784
Top Four Sources of General Fund Expenditures		
1. Public works	\$4,352,644	\$4,833,962
2. Public safety	\$4,205,672	\$4,491,384
3. General and governmental services	\$3,330,074	\$3,247,245
4. Community development services	\$2,450,549	\$2,181,710

Source: CAFR

16.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 188.

Table 188. City of Saratoga Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$13,285,000	\$11,449,062
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.1%	0.1%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	2.5%	2.3%
Unfunded pension liability as reported in most recent CAFR	Not provided	\$6,936,824

Source: CAFR

16.5.3 Reserves

Saratoga's unassigned General Fund reserve levels have increased since FY 2009. Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the City (see Table 189).

Table 189. City of Saratoga Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$5,581,824	\$7,781,815
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$1,300,000	See Note

Source: CAFR

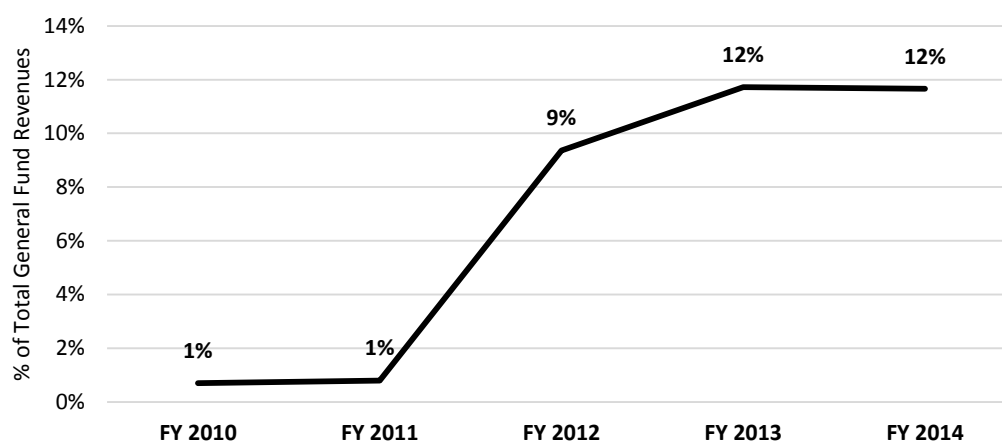
Note: Fiscal stabilization reserve of \$1.5 million incorporated into Unassigned General Fund reserve figure above for 2014; Economic uncertainty reserve separated in 2009.

16.5.4 Financial Health Indicators

Using select indicators from the League of California Cities' Financial Health Diagnostic Tool, the City of Saratoga is in positive fiscal health.

Over the past five years the City has accumulated annual surpluses in the General Fund. The City's General Fund surplus has increased by 11 percentage points since FY 2010, an indicator of positive fiscal health. The trend of the City's General Fund deficit/surplus is shown in Figure 40.

Figure 40. City of Saratoga Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

Table 190 shows the City's General Fund Fiscal Indicators. The City has budgeted a deficit in its General Fund for FY 2015, but has a five-year financial plan that provides for maintaining a healthy level of General Fund reserves over that period. The City has generally been conservative in its budget estimations, and actual performance typically exceeds budgeted forecasts. Not included in the City's FY 2015 operational surplus/deficit is a transfer from the General Fund of \$1.7 million to fund capital projects, which if recurring in nature, would impact the General Fund's long-term fiscal health. The City's liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 64.6% greatly exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 190. City of Saratoga General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	-12.9%
FY 2014	Liquidity Ratio ¹	20.5
FY 2014	Fund Balance as percent of Expenditures ²	64.6%

Source: CAFR, City Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

16.5.5 Financial Reporting

The City's CAFR is prepared in a timely manner and audited by an independent CPA. See Table 191.

Table 191. City of Saratoga Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

16.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Saratoga.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Saratoga serves 30,799 residents within its 12.78 square mile incorporated area. ABAG projects that the City's population will grow at a rate of 0.5% annually over the next 10 years, and then a slowing growth rate, leading to a population of 32,700 in 2040.

The City has one unincorporated island that is 205 acres. Due to its size, this island is not eligible for streamlined annexation.

The City has identified sufficient housing opportunities to meet its RHNA of 439 housing units between 2014 and 2022. The City does not anticipate that growth patterns will expand beyond Saratoga's existing USA. No PDAs exist within Saratoga for infill development.

The City last prepared a comprehensive update of its general plan in 1983 but has updated various elements of the Plan over the years, including the Land Use Element in 2007.

The City's existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within or contiguous to Saratoga's SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCs WITHIN OR CONTIGUOUS TO THE SOI

City staff noted that, given new regulations coming into effect, the City is concerned about unfunded state mandates related to stormwater infrastructure maintenance. As a result of these regulations, the City anticipates future costs to address its aging stormwater system and related deferred maintenance.

The City of Saratoga does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

The City's number of park acres per 1,000 population of 2.8 is below the goal of 5.0 that it has established.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Saratoga's General Fund has consistently operated at a surplus over the past five years, and the City has a five-year financial plan that maintains a healthy level of General Fund reserves. Saratoga's General Fund reserves of 64.6% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City's ability to meet future service needs in the event of an economic downturn. In addition, the City's liquidity ratio of 20:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of Saratoga has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency's capital improvement plans. One area of potential concern is stormwater, as discussed under Determination Three.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Saratoga is engaged in service sharing agreements as identified in Table 192 below.

Table 192. Summary of Shared Services in the City of Saratoga

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	Contract	City of San Jose
Law Enforcement – Operations	Contract	SCC Sheriff's Office
Law Enforcement – Radio Communications	JPA	SVRIA
Library Services	JPA	SCCLD
Recreation	Contract	LGSRD
Solid Waste	JPA	WVSWMA
Stormwater	MOU	SCVURPPP

Further opportunities to share services were identified in the area of stormwater management, where greater collaboration for system maintenance, improvements, and regional response to new federal and state mandates may be possible.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Saratoga provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of Saratoga promotes accountability for its community service needs.

16.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The City's existing SOI is coterminous with its City limits to the north and east. The southern and western portion of the City's SOI includes unincorporated hillside lands located outside of the City's USA boundary. Some of this area includes very-low density residential development, while other portions of this area is undeveloped, and has little or no roads or other infrastructure. The boundaries of some of the City's unincorporated islands help form sections of the southern and western portion of the City's SOI boundary. The southern portion of the City's SOI boundary also includes some permanently preserved open space (e.g., the Villa Montalvo Arboretum). The City is bounded by the Cities of Cupertino and San Jose to the north; the City of Campbell, Los Gatos, and Monte Sereno to the east; and unincorporated lands to the south and west.

It is recommended that LAFCO reaffirm the City of Saratoga's existing SOI boundary because the City's SOI boundary serves multiple purposes including serving as:

- A long range planning tool to help LAFCO evaluate USA boundary changes and annexation requests.
- Areas that will not necessarily be annexed to the City or will not necessarily receive services from Saratoga, but are areas in which the County and Saratoga may have shared interests in preserving non-urban levels of land use. Specific examples include the foothills and ridgelines located south and west of the City. Furthermore, both the City and the County share a mutual interest in protecting view sheds and natural resources.
- Areas where the City and the County have significant interaction.
- Areas that contain social and economic communities of interest to the City, such as areas within the City's jurisdictional boundaries.

In making this recommendation, it should be made clear that inclusion of an area within the City's SOI boundary should not necessarily be seen as an indication that the City will or should either annex or allow urban development and services in the area. The City's USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether the areas will be annexed and provided urban services.

SOI DETERMINATIONS FOR THE CITY OF SARATOGA

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Saratoga's service review profile in this chapter, the following determinations are provided to update the City's existing SOI:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

Land uses primarily consisting of residential development uses are planned within Saratoga's USA boundary. The County's and City's general plans call for the continuation of non-urban uses beyond the City's USA boundary.

2. The Present and Probable Need for Public Facilities and Services in the Area

The type of public services and facilities required within Saratoga's SOI boundary is not expected to change, although the level of demand will increase slightly.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Saratoga is still in the process of addressing the impacts that state mandates will have related to stormwater infrastructure maintenance on budgetary and operational resources, as indicated in the City's service review determination #3 above.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There exist social and economic conditions that cause interaction and interdependence between the City and the areas within its SOI boundary.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

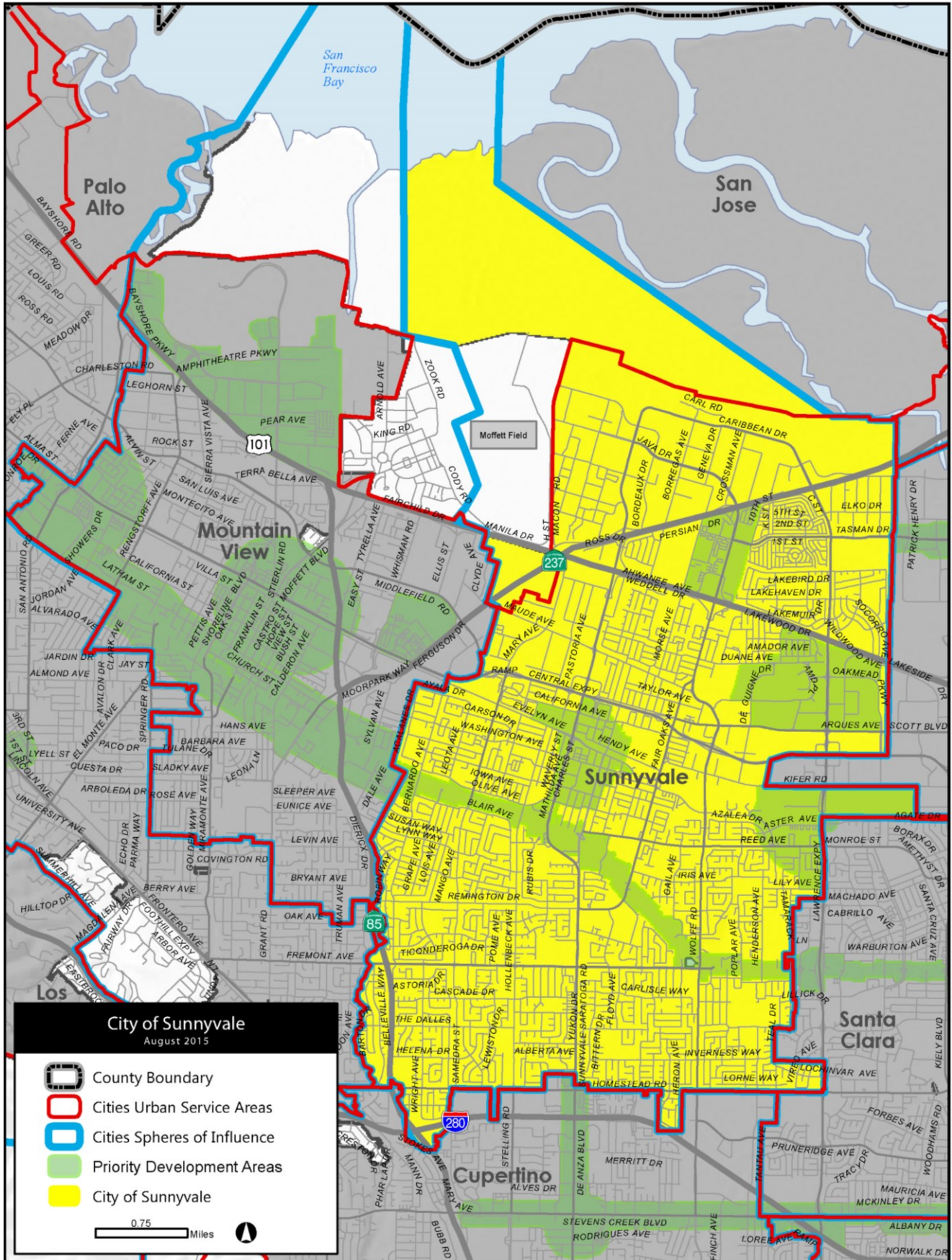
17 City of Sunnyvale



17.1 Agency Overview

The City of Sunnyvale was incorporated in December 1912. According to the California DOF 2015 estimates, the population of Sunnyvale is 148,028. As of 2015, the City's incorporated area spans 22.88 square miles. As of 2015, Sunnyvale's USA spans 19.14 square miles, and its SOI encompasses 24.11 square miles. These boundaries can be seen in Figure 41.

Figure 41. City of Sunnyvale Existing Boundaries



17.1.1 City Staffing

In FY 2014, total City staffing included 871 FTE employees. As shown in Table 193, the greatest number of FTEs is assigned to the public safety function.

Table 193. City of Sunnyvale Staffing in Top Three Functions

City Staffing by Major Service Function	FY 2014 FTEs
Public Safety (Police and Fire)	319
Planning and Management	130
Community Development (Management, Planning, Building, Housing)	105

Source: 2014 City CAFR

17.1.2 Form of Government

Sunnyvale is a charter city that operates under a council-manager form of government. The City Council consists of seven members who are elected at large. Council members serve four-year terms and select a mayor biannually, and a vice mayor annually.

17.1.3 Joint Powers Authorities

The City of Sunnyvale is a member of one JPA, as shown in Table 194.

Table 194. City of Sunnyvale Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Silicon Valley Regional Interoperability Authority	Identify, coordinate, and implement public safety communications interoperability
California Joint Powers Risk Management Association	Excess liability risk retention pool dedicated to protecting its members from catastrophic losses and to meeting the needs of its members

Source: City website and City staff interviews

17.1.4 Awards and Recognition

The City of Sunnyvale has been the recipient of a number of awards between 2010 and 2015, as shown in Table 195.

Table 195. City of Sunnyvale Recent Awards

Name of Award	Issuer	Year(s) Received
District IV Award of Excellence for its innovative Camp Pioneer	California Parks and Recreation Society	2015
Agency Award for Excellence	Northern California Chapter International Public Management Association – Human Resources	2015
Best Cities for Jobs, #1: San Jose-Sunnyvale-Santa Clara	Forbes Magazine	2014
10 Best Cities in California for Young Adults (<i>Sunnyvale #1</i>)	CreditDonkey.com	2014
Best Speculative Project Winner Moffett Place, Best Reuse/Rehab Project Winner 435 Indio Way, and Best Mixed-Use Project Finalist Carmel Loft House	Silicon Valley Business Journal	2014
Most Creative Deal, Onizuka (2013 Structures Awards)	Silicon Valley Business Journal	2013
Human Resources Award for Excellence	Northern California Chapter International Public Management Association	2013
Bicycle Friendly Community	League of American Bicyclists	2012
Distinguished Budget Presentation Award	Government Finance Officers Association	2012
American City With Top Economic Potential	Financial Times	2011
Sunnyvale Works! Outstanding Achievement in Innovations Award	Alliance for Innovation	2011

Source: City of Sunnyvale staff

17.2 Growth and Population

17.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open

space lands. Plan Bay Area includes projections for the region’s population, housing, and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG’s projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state DOF estimates for population (based on information received on housing development and other current information) are more accurate. While Sunnyvale relies on ABAG population projections, the City also produces its own projections. The City’s population projections show fewer people in 2035 than ABAG’s estimates. The City’s projections, along with ABAG’s projections for population, households (occupied housing units) and jobs are shown in Table 196.

Table 196. City of Sunnyvale Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
ABAG							
Population	140,081	148,400	156,800	165,500	174,700	184,300 ¹	194,300
Total Jobs	74,810	80,490	86,740	88,380	90,160	92,790	95,600
Total Households	53,384	56,560	59,840	62,970	66,290	69,490	72,800

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

¹ The City of Sunnyvale projects that the 2035 population will be 176,000 in 2035.

17.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the City has 80,490 jobs within the community and 75,360 employed residents. Within Sunnyvale, there are 1.07 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Sunnyvale has 56,168 housing units; when combined with ABAG’s estimate of 80,490 jobs within the City, jobs and housing balance is 1.43.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan’s Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 197 shows, the majority of housing units in Sunnyvale are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the City of Sunnyvale’s assigned housing need is 5,452 units. In December 2014, Sunnyvale adopted its 2015-2023 Housing Element and demonstrated that it has sites and housing opportunities available to accommodate 5,849 units, which is 397 units in excess of its assigned regional share of 5,452 units. The City of Sunnyvale’s housing element was certified by the State of California’s Housing and Community Development Department in January 2015.

Table 197. City of Sunnyvale Housing Profile

Housing Statistic	Number
Number of total existing housing units	56,168

Housing Statistic	Number
Owner-occupied (SFR) housing units	25,370
Renter-occupied housing units	28,646
RHNA by income category	2014 to 2022
Above moderate	1,974
Moderate	932
Low	906
Very Low	1,640
Total	5,452

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

17.2.3 Planning and Building

In FY 2014, Sunnyvale issued a total of 5,027 residential and commercial building permits. Total building permit valuation is estimated at \$603,754,563.

The City's total assessed valuation for FY 2014 is approximately \$29.2 billion. This represents an 18% increase from FY 2009.

17.2.4 Priority Development Areas

The City has four planned PDAs and one potential PDA (see section 22.1.4 for complete definition). The first is the Downtown and CalTrain Station, which is 227 net acres. This PDA is categorized as a transit town center and served by bus rapid transit and CalTrain. The second planned PDA, known as the El Camino Real Corridor, is approximately 320 net acres and is categorized as mixed-use corridor, served by bus rapid transit. Sunnyvale recently received a grant from MTC to revise its El Camino Real Corridor specific plan. The third planned PDA, known as East Sunnyvale, is approximately 413 net acres and is categorized as an urban neighborhood. The City is currently evaluating the possibility of expanding the area to convert a large portion of the PDA to an industrial area of medium density. The fourth planned PDA, known as Tasman Crossing, is approximately 150 net acres and is categorized as a transit neighborhood served by VTA's light rail transit system. The City is proposing to rezone the area to convert it from industrial to residential.

The potential PDA, known as the Lawrence Station Transit Village, is approximately 319 net acres and is categorized as a transit neighborhood served by CalTrain. City staff noted that a draft Plan Line has been issued for this PDA.

17.2.5 Planning for an Aging Population

Sunnyvale staff stated that as the baby boomer population ages, the City anticipates a significant increase in the percentage of senior residents in the City. This population shift was seen recently during City meetings regarding the Lawrence Station Transit Village. Seniors were engaged participants in the process and some voiced their preference for higher density and walkable neighborhoods.

17.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

17.3.1 Planning Boundaries

The City's USA and municipal boundaries are nearly contiguous with the exception of two unincorporated islands and the Moffett Field/NASA Ames Research Center. The USAs of Sunnyvale and Mountain View bisect Moffett Field and its federal research park. More information about Moffett Field can be found in chapter 18.

Moffett Field is located in the northwestern portion of Sunnyvale. It does not receive municipal services from the City, other than wastewater collection and treatment services that also include a sewer main easement used to serve NASA Ames Research Center.

With the exception of limited sewer service, the City is not currently providing services to the area outside of its city boundaries. Planetary Ventures, LLC (a wholly-owned subsidiary of Google) has entered into a lease agreement with the federal government for portions of Moffett Field that are within the City's USA. However, all municipal-type services are provided to Planetary Ventures by Moffett Field through the lease agreement. The City does not have plans to provide municipal services to that area.

The City has no plans to amend its USA or SOI within the next five years.

17.3.2 Unincorporated Islands

Two small unincorporated islands exist within the City of Sunnyvale's USA. Known as SV02 (4.6 acres) and SV03 (5.3 acres), both pockets are eligible for streamlined annexation. SV02 is located along the City's border with Santa Clara parallel to the CalTrain/Union Pacific railroad tracks and right-of-way. Ongoing discussions regarding SV02 are taking place between Sunnyvale and Santa Clara concerning which jurisdiction should annex the island given its location. However, a change to the common SOI would be needed for the island to be annexed by Santa Clara.

SV03 is comprised of a residential development in the heart of the City and is referred to as Butcher's Corner. In 2013, the Sunnyvale City Council initiated the annexation process for this island. However, due to a change in ownership in the property and concerns regarding the future redevelopment of the site, the City Council deferred completion of the annexation process. Plans have been submitted to build a mixed-use residential and commercial development. The City would have to complete the annexation process and rezone the property before any project on this site can be approved by the City Council. An Environmental Impact Report (EIR) is underway, with a draft report to be completed in October 2015. Should the City move forward with annexation of SV03, staff has indicated the City would be able to provide municipal services to this area. The City Council is scheduled to consider the annexation of SV03 in October 2015.

Maps of each city's unincorporated islands are included in Attachment B.

17.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the City of Sunnyvale.

17.4 City Services

In Sunnyvale core municipal services are delivered by City staff. The primary service provider for the major municipal services discussed in this report is summarized in Table 198.

Unless specifically noted, the City of Sunnyvale did not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 198. City of Sunnyvale Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-City Service Provider, if applicable
Animal Control	City	
Law Enforcement	City	
Library	City	
Parks and Recreation	City	
Planning/Building	City	
Solid Waste	Franchise Agreement	Specialty Solid Waste and Recycling
Streets	City	
Stormwater	City	
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T, Comcast (State-Issued Franchise)
Wastewater	City	

Source: City website and City Staff interviews

In the past five years the City has not stopped or started providing any municipal services. Given the expected population growth for the City of Sunnyvale, City staff does not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

17.4.1 Animal Control

The City of Sunnyvale's Public Safety Department is the service provider for animal control. In FY 2014 total City expenditures for this function were approximately \$747,000. Service level statistics are included in Attachment A.

17.4.2 Law Enforcement

The City of Sunnyvale's Public Safety Department provides integrated police, fire and emergency medical services under one department. The City's sworn public safety officers are cross-trained in all three areas. The department operates one police station within the City and provides dispatch services. While the Public Safety Department employs a total of 201 sworn public safety officers, there are a total of 84 sworn officers related to police services. During FY 2014, there were 38,133 calls for service. The City reports that response time for Priority One calls averaged 4 minutes and 39 seconds.

In FY 2014, total City expenditures on this function were \$25,461,932. Approximately 18% of the City's General Fund is dedicated to law enforcement.

Sunnyvale provides assistance to regional SWAT teams in Santa Clara County, and provides its armored vehicle and mobile emergency operations centers as a resource for other agencies to use within the County upon request.

17.4.3 Library

The City is the service provider for library services within the City of Sunnyvale. There is one facility located within the City. Annual print circulation exceeds 2.7 million, and nearly 36,000 digital books are available for download to library patrons.

17.4.4 Lighting

Lighting within the City is provided and maintained by the City. A summary of lighting infrastructure is provided in Attachment A.

17.4.5 Parks and Recreation

The City is the primary service provider for parks and recreation. As part of a citywide reorganization effort in 2011, the parks function moved to the Public Works Department, while recreation programs moved to the library. FY 2014 total expenditures for parks were approximately \$9 million. FY 2014 total expenditures for cultural services (including library, recreation and arts) were approximately \$16 million. The City has 21 parks and a total of 329 park acres. In addition, 477 acres of open space owned by the City are publicly accessible. The City reports 5.29 park acres per 1,000 population, which falls below their goal of 5.34 park acres per 1,000 population.

The City operates a community center complex (recreation center, creative arts center, indoor sports center, the Sunnyvale Theatre, and a senior center), a neighborhood center, two community centers, one senior center, two golf courses, and four swimming pools, an indoor sports center, a creative arts center, the Sunnyvale Theatre, and acres of sports fields.

17.4.6 Solid Waste

Sunnyvale has a franchise agreement for solid waste collection and recycling services with Bay Counties Waste Services, Inc. (doing business as Specialty Solid Waste and Recycling). In FY 2014, City expenditures for providing solid waste collection, recycling, transfer, and landfill disposal services to Sunnyvale were \$42,685,786.

In CY 2013, Sunnyvale disposed of 93,920 tons of solid waste. Sunnyvale offers separate collection and composting of yard trimmings and recycling of mixed paper, cardboard, bottles, cans and other recyclable materials from residences and businesses. The City recently began offering separate collection and composting of food waste to commercial and institutional customers and is conducting a pilot program testing residential food waste collection methods. In 2013, the City's amount of pounds of solid waste disposed per person per day was 3.5 for its general population, meeting the state's goal for the community of 5.0 pounds. Solid waste per person per day for employees in the community was 6.3 pounds, meeting the state's goal for the community of 8.3 pounds. There is one solid waste disposal facility located in Sunnyvale.

The one solid waste disposal facility located in Sunnyvale, the Sunnyvale Materials Recovery and Transfer Station (SMaRT Station®), serves the cities of Mountain View, Palo Alto, and Sunnyvale. The station is owned by the City of Sunnyvale and operated by a private company under a contract

with the City. FY 2014 expenditures for operating the SMaRT Station and disposing of its residues at the Kirby Canyon Landfill were \$28,481,922, which were fully reimbursed by the three cities served by the facility. During FY 2014, the facility diverted from landfill disposal 36,407 tons (19.2%) of the mixed solid waste received from the three cities. Including source-separated materials received there, the SMaRT Station shipped 89,345 tons to compost and recycling markets (36.8% of all materials received) and returned \$2,715,000 in revenues to the cities.

17.4.7 Streets

The City of Sunnyvale maintains 260 miles of roadways, which translates to 637 lane miles. The number of miles of sidewalk maintained and FY 2014 street-related expenditures were not available at the time of the Cities Service Review. Street sweeping is provided by city staff. The City maintains approximately 37,000 street trees. The City's pavement condition index (PCI) is 76, which falls below its PCI goal of 80.

17.4.8 Stormwater

The City's stormwater system is managed and maintained by the City's Environmental Services Department. Sunnyvale participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information). The City reports that it is compliant with NPDES standards.

City staff noted concerns about meeting the stormwater system's funding needs in the future given the new state and federal regulations coming into effect. Overall, staff noted that Sunnyvale's stormwater system is in good condition. The City recently installed two base-sized trash capture devices, plans to install an additional 100 catch basins within the system, and plans to rehabilitate two stormwater pump stations in the near future. The biggest challenges to the stormwater system are dealing with trash, polychlorinated biphenyls (PCBs), and mercury. City staff expressed concern that the PCBs and mercury are expensive to manage, and it is challenging to acquire sufficient funding for these operations.

17.4.9 Utilities

PG&E is the electricity and gas provider within Sunnyvale. While PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the City of Sunnyvale, there are 53,346 electricity customers and 56,427 gas customers within the Sunnyvale city limits. The City did not indicate concerns about PG&E's ability to serve the existing population or its future demand for energy and natural gas. City staff noted that Sunnyvale is partnering with Cupertino, Mountain View, Monte Sereno and unincorporated areas of the County to discuss the possibility of becoming a CCA under the provisions of AB 118 to allow them to pool electricity demand of their residential, business and municipal accounts to purchase or develop power on their behalf.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Sunnyvale are AT&T and Comcast. Sunnyvale indicated no concerns about the availability or reliability of telecommunications services, including high-speed internet.

17.4.10 Wastewater

The City of Sunnyvale provides wastewater collection and treatment services for all customers within its municipal boundaries, and has 283 miles of sewer lines. The City provides wastewater

treatment services for parts of Cupertino as well as the portion of Moffett Field that is within the Sunnyvale municipal boundary, but collection in that area is handled by Moffett Field.

Sunnyvale operates the Donald M. Somers Water Pollution Control Plant, a wastewater treatment plant. According to staff, Sunnyvale has analyzed whether the City could offer wastewater treatment services to other jurisdictions, but determined that the treatment plant is currently at capacity. Of the neighboring cities, it would be most logical to serve Cupertino. However, Cupertino currently receives wastewater services from San Jose, and Sunnyvale could not offer competitive rates.

In the City of Sunnyvale, the majority of sludge is treated and processed (converted to biosolids) and used as alternate daily cover for landfills. Some of the biosolids are sent to the Central Valley for agricultural application. Recycled water is currently being provided to approximately 100 customers within the City. However, staff noted that Sunnyvale is looking at a potential recycled potable water project with the Santa Clara Valley Water District, and is considering the possibility of connecting to Palo Alto's recycled water system.

17.5 Financial Information

The following section provides key financial data points related to Sunnyvale's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Sunnyvale's total citywide expenditures exceeded \$186.8 million. Approximately 76% (\$142.7 million) of these expenditures constituted General Fund expenditures.

17.5.1 Revenues and Expenditures

The City's primary source of revenue is property tax. Since FY 2009 property tax revenue increased by \$8 million (or 19%) to \$50 million, which now includes the excess property tax increment previously collected by the City's former redevelopment agency that was dissolved by the state in 2012. Sales tax revenue in Sunnyvale in FY 2014 has increased by \$5.1 million (20.4%) since FY 2009 (see Table 199).

Table 199. City of Sunnyvale Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Property Tax	\$42,259,090	\$50,293,385
Sales Tax	\$25,071,916	\$30,194,827
Utility Users Tax	\$6,841,270	\$6,754,263

Source: CAFR

Sales tax figures exclude public safety sales taxes.

A summary of the City's General Fund revenues and expenditures is shown in Table 200.

Table 200. City of Sunnyvale Major Sources of General Fund Revenues and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$109,869,197	\$140,789,778
Total General Fund Expenditures	\$125,271,577	\$142,747,859
Top Four Sources of General Fund Revenues		
Property Tax	\$42,259,090	\$50,293,385
Sales and Use Tax	\$26,201,085	\$31,672,368
Other Taxes	\$15,531,152	\$24,013,373
Service Fees	\$3,667,359	\$10,504,265
Top Four Sources of General Fund Expenditures		
Public Safety	\$73,238,514	\$80,895,877
Planning and Management	\$18,794,474	\$17,746,454
Community Development	\$17,553,584	\$17,433,815
Cultural and Recreation	\$7,806,611	\$15,208,678

Source: CAFR

17.5.2 Debt

A summary of the City's obligations, debt, and liabilities is provided in Table 201.

Table 201. City of Sunnyvale Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$28,900,000	\$22,195,000
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.1%	0.1%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	2.6%	2.7%
Unfunded pension liability	Not provided	\$267,931,611

Source: CAFR

17.5.3 Reserves

Sunnyvale's unassigned General Fund reserve levels have increased since FY 2009. Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the City (see Table 202).

Table 202. City of Sunnyvale Reserves

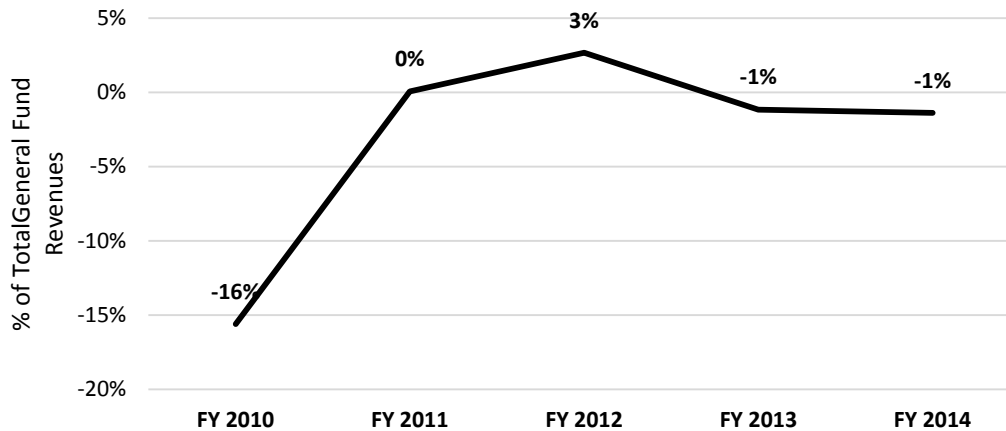
Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$41,865,102	\$52,867,915
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$0	\$0

Source: CAFR

17.5.4 Financial Health Indicators

Using select indicators from the League of California Cities’ Financial Health Diagnostic Tool, the City of Sunnyvale is in positive fiscal health. While the City has only had one year of annual surplus in the General Fund in the past five years, the City’s General Fund surplus has increased by 15 percentage points since FY 2010, an indicator of improving fiscal health. The trend of the City’s General Fund deficit/surplus is shown in Figure 42.

Figure 42. City of Sunnyvale Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

The City has budgeted an operating surplus in its General Fund for FY 2015. The City is anticipating the potential one-time payment of \$14 million from General Fund reserves in FY 2016 to the state for its pending litigation concerning the dissolution of its former redevelopment agency, but otherwise has a five-year financial plan that provides for maintaining a healthy level of General Fund reserves over that period. The City has generally been conservative in its budget estimations, and actual performance typically exceeds budgeted forecasts.

Table 203 shows the City’s General Fund Fiscal Indicators. Not included in the FY 2015 operational surplus/deficit is a transfer from the General Fund of \$9.7 million to fund capital projects, which if recurring in nature, would impact the General Fund’s long-term fiscal health. The City’s liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 37.3% greatly exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 203. City of Sunnyvale General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	4.3%
FY 2014	Liquidity Ratio ¹	4.4
FY 2014	Fund Balance as percent of Expenditures ²	37.3%

Source: CAFR, City Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

17.5.5 Financial Reporting

The City's CAFR is prepared in a timely manner and audited by an independent CPA. See Table 204.

Table 204. City of Sunnyvale Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

17.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the City of Sunnyvale.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the City of Sunnyvale serves 148,028 residents within its 22.88 square mile incorporated area. ABAG projects that the City's population will grow steadily by approximately 1.1% per year, leading to a population of 194,300 in 2040.

Two unincorporated islands exist within the City of Sunnyvale, which comprise a total of 9.9 acres. Because they are smaller than 150 acres, both of these islands are eligible for streamlined annexation.

The City has identified sufficient housing opportunities to meet its RHNA of 5,452 housing units between 2014 and 2022. The City does not anticipate that growth patterns will expand beyond Sunnyvale's existing USA. Two planned PDAs and three potential PDAs exist within the City for infill development.

The City's most recent general plan was adopted in July 2011.

The City's existing boundaries accommodate the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within the City of Sunnyvale's SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCS WITHIN OR CONTIGUOUS TO THE SOI

City staff noted that, given new regulations coming into effect, the City is concerned about unfunded state mandates related to stormwater infrastructure maintenance. As a result of these regulations, the City anticipates future costs to address its aging stormwater system and related deferred maintenance.

The City of Sunnyvale does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

The City's number of park acres per 1,000 population of 5.29 is slightly below the goal of 5.34 that it has established. The City's Pavement Condition Index of 76 in 2014 is currently below the goal index of 80 that it has established.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Sunnyvale's General Fund has operated at or near break-even over the past four years after a 16% operating deficit in FY 2010. The City is anticipating the potential one-time payment of \$14 million from General Fund reserves in FY 2016 to the state for its pending litigation concerning the dissolution of its former redevelopment agency, but otherwise has a five-year financial plan that provides for maintaining a healthy level of General Fund reserves over that period. Sunnyvale's General Fund reserves of 37.3% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the City's ability to meet future service needs in the event of an economic downturn. In addition, the City's liquidity ratio of 4:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The City of Sunnyvale has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency's capital improvement plans. One area of potential concern is stormwater, as discussed under Determination Three.

The City prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The City of Sunnyvale is engaged in service sharing agreements as identified in Table 205.

Table 205. Summary of Shared Services in the City of Sunnyvale

Service Area	Type of Sharing Arrangement	Partnering Entity
Law Enforcement – Radio Communications	JPA	SVRIA
Law Enforcement – Operations	MOA	City of Santa Clara
Stormwater	MOU	SCVURPPP
Wastewater Treatment	Services Agreement with Moffett Field	City of Sunnyvale

Further opportunities to share services were identified in the area of electric utility service by establishing a community choice aggregation with other cities in the County as well as the County itself.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Sunnyvale provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the City Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the City of Sunnyvale promotes accountability for its community service needs.

17.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The City's existing SOI boundary is coterminous with the City limits to the east, south, and west. However, the northern portion of the City's SOI boundary extends nearly 2 miles into the San Francisco Bay. The western portion of the City's SOI boundary includes approximately half of Moffett Field. The City of Sunnyvale is substantially bounded by the City of Santa Clara to the east; by the City of Cupertino to the south; and by the Cities of Los Altos and Mountain View to the west.

Since the existing Sunnyvale SOI is coterminous with the City limits and fully bounded by other cities and no further outward expansion is possible, it is recommended that LAFCO reaffirm the existing SOI for the City of Sunnyvale.

SOI DETERMINATIONS FOR THE CITY OF SUNNYVALE

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Sunnyvale's service review profile in this chapter, the following determinations are provided to update the City's existing SOI

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

The Sunnyvale SOI is coterminous with the boundaries of the City. Planned land uses in the City are consistent with existing land uses.

2. The Present and Probable Need for Public Facilities and Services in the Area

The need for a full range of public facilities and services is expected to grow modestly in the future.

3. Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Sunnyvale is still in the process of addressing the impacts that state mandates will have related to stormwater infrastructure maintenance on budgetary and operational resources, as indicated in the City's service review determination #3 above.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There exist social and economic conditions that cause interaction and interdependence between the City and the areas within its SOI boundary.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.

Unincorporated Areas

18 Moffett Field



18.1 Agency Overview

In 1933 the U.S. Navy opened a naval air station on the Mountain View-Sunnyvale municipal border along the southern edge of the San Francisco Bay. Later named Moffett Field, this federal property was selected as the site for Ames Aeronautical Laboratory (now known as NASA Ames Research Center). In the early 1990s Moffett Field was identified for base closure and in 1994 NASA Ames assumed operation of Moffett Field, including the Moffett Federal Airfield.

Operational for more than 75 years, Ames Research Center is one of ten field centers operated by NASA. It provides world-class research and development in aeronautics, exploration technology and science aligned with the center's core capabilities:

- Entry systems
- Supercomputing
- NextGen air transportation
- Airborne science
- Low-cost missions
- Biology and astrobiology
- Exoplanets
- Autonomy & robotics
- Lunar science
- Human systems integration
- Wind tunnels

In addition to Ames, today Moffett Field is home to several public and private institutions, including Carnegie Mellon University, Singularity University, and Planetary Ventures LLC (a wholly-owned subsidiary of Google). Moffett Federal Airfield remains an active air carrier airport used by the military.

Moffett Field spans approximately 1,400 acres of unincorporated land in Santa Clara County. The USAs of Mountain View and Sunnyvale bisect Moffett Field and its federal research park. Figure 43 shows these boundaries.

18.1.1 Moffett Field Population

Moffett Field has a daytime population of 4,561. This number includes NASA Ames employees as well as US military personnel from the Army, Army Reserve, and Air Force. This number does not include the addition of hundreds of daytime employees of Planetary Ventures, LLC that are beginning to work on the property under the terms of the lease agreement with Moffett Field (more fully described below). Moffett Field also has a small residential population. The Army maintains approximately 190 housing units.

18.1.2 Growth and Population Projections

Moffett Field has a long-term plan that spans from 2015 to 2035. This comprehensive plan incorporates the current plans by the U.S. military for the use of the property as well as the leases of portions of the property to Planetary Ventures, LLC, University Associates, and more than 70 other partners (public, private, and non-profit) as more fully described below.

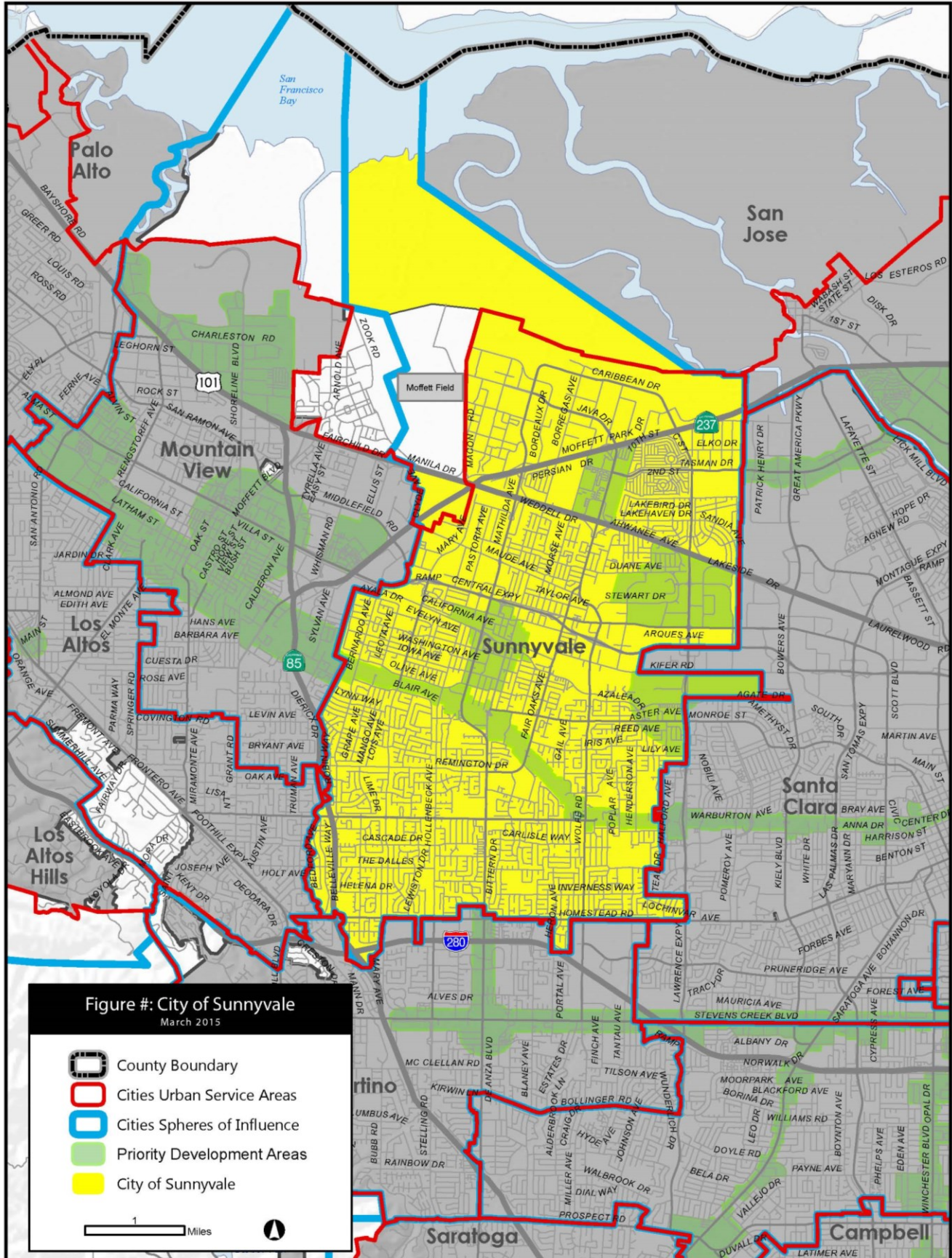
Projections prepared by NASA Ames show that at full build-out of the plan, population is estimated to be 14,000, as shown in Table 206.

Table 206. Population Projections for Moffett Field from 2015 to 2035

	2015	2017	2019	2021	2023	2025	2027	2029	2031	2033	2035
Ames Campus	3,320	3,380	3,450	3,520	3,580	3,650	3,710	3,800	3,870	3,950	4,070
NASA Research Park	324	1,020	1,950	2,800	3,250	4,200	5,000	5,750	6,900	7,400	8,913
Eastside Airfield/ California Air National Guard	917	917	940	950	960	965	965	965	965	965	965
Total Population	4,561	5,317	6,340	7,270	7,790	8,825	9,675	10,515	11,735	12,315	13,948

Source: NASA Ames Staff

Figure 43. Moffett Field Existing Boundaries



18.2 Moffett Field Services and Operations

Moffett Field is owned by the federal government, whose operations and facilities are managed by NASA. Limited interaction with local governments in Santa Clara County occur, namely with the cities of Mountain View and Sunnyvale, as described below.

18.2.1 Land Use and Development

Under the purview of NASA, all land use and development decisions are approved by NASA's Office of the Administrator. Certain decisions are under the purview of the Director of the Ames Research Center. NASA works in close coordination with the various branches of the US Armed Forces that use the property.

Any budgetary matters related to proposed land use and development changes must go through the Office of Management and Budget as part of the federal budget process. As a branch of the federal government, NASA is not required to obtain local government approval for any land use or development decisions, although impacts related to specific infrastructure elements (e.g., wastewater treatment) or mutual service response (e.g., fire suppression and medical response) are discussed with impacted local jurisdictions.

In 2014 the federal government entered into an agreement with Planetary Ventures, LLC for a 1,000 acre site at Moffett Field within portions of both the Mountain View and Sunnyvale USAs. Under the lease terms, Google will operate and maintain two runways; Hangars One, Two and Three; the flight operations building; and a golf course. Details regarding planned development are not yet public, although a large office or housing development is not anticipated as part of the Planetary Ventures project.

Google separately entered into a lease agreement for approximately 42 acres on the northern edge of the airfield within the Mountain View USA boundary, and will develop a new 1.2 million-square-foot campus.

In 2008 University Associates entered into a long-term lease for 77 acres at Moffett Field, just south of Hangar One, earmarked for a research and development campus that would also include a new residential community. This long-term lease is anticipated to result in the development of university campus facilities, office/ R&D finalities, housing, and other mixed use facilities. In April 2015 University Associates engaged a planning consultant in an effort to begin developing the projects outlined in the 2008 lease agreement.

Although the development discussed above is planned to occur within Mountain View's and Sunnyvale's respective SOI boundaries, Moffett Field will provide all municipal-type services to Planetary Ventures, Google, and University Associates.

18.2.2 Service Provision

Core municipal services at Moffett Field are delivered by both federal staff and contract service providers. The primary service provider for the major municipal services discussed in this report is summarized in Table 207.

Table 207. Moffett Field Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider
Animal Control	NASA Ames Research Center
Law Enforcement	NASA Ames Research Center
Library	None
Parks and Recreation	NASA Ames Research Center

Major Service Function	Primary Service Provider
Planning/Building	NASA Ames Research Center
Solid Waste	Contract
Streets	NASA Ames Research Center
Stormwater	NASA Ames Research Center
Utilities	
Electricity	Department of Energy ¹
Gas	Defense Logistics
Telephone, High-speed Internet	NASA Ames Research Center
Wastewater	City of Sunnyvale and City of Mountain View ²

Source: City website and City Staff interviews

¹PG&E receives a transmission fee from Moffett Field.

²The Palo Alto Regional Water Quality Control Plant is a partnership agreement among several public agencies. The City of Palo Alto is the owner and operator of the Regional Water Quality Control Plant. The cities of Mountain View, Los Altos, Los Altos Hills along with Stanford University and East Palo Alto Sanitary District have agreements to use a portion of the plant's capacity. Through this partnership agreement, all six agencies proportionately share in the costs of building and maintaining the facility. The plant also provides service to Moffett Field under a service agreement such that Mountain View collects and transfers wastewater for the portion of Moffett in its USA.

In the past five years, NASA Ames has not stopped or started providing any municipal services. Given the expected population growth for Moffett Field, NASA staff do not anticipate any difficulty providing municipal services to its community.

18.2.2.1 SERVICES PROVIDED BY FEDERAL GOVERNMENT

Moffett Field provides its own law enforcement services, and maintains its own streets, street lighting, traffic signals, stormwater, and recreational facilities such parks, a golf course, and a swimming pool. Biologists are employed on staff to protect and treat native wild animals. Power is provided by the Department of Energy, but a fee is paid to PG&E for the transmission cost. Gas is provided by Defense Logistics.

18.2.2.2 SERVICES PROVIDED BY ADJACENT CITIES

Moffett Field handles all wastewater collection services on the property, but has no treatment facilities for wastewater. The adjacent cities of Mountain View and Sunnyvale provide limited wastewater service to Moffett Field. The City of Mountain View has a sewer main easement located on the portion of federal property within the City's USA. Wastewater collected on the Mountain View side flows through Mountain View's wastewater collection system and is transferred to the Palo Alto Regional Water Control Plant for treatment. The City of Sunnyvale provides wastewater treatment for the portion of Moffett Field within the Sunnyvale municipal boundary at the Donald M. Somers Water Pollution Control Plant. The City of Sunnyvale also provides recycled water to the Moffett Field Golf Club.

18.2.2.3 SERVICES PROVIDED BY CONTRACT

Solid waste services are delivered to Moffett Field through Recology Silicon Valley.

Moffett Field provides complete coverage to all portions of their property for telecommunications and high-speed internet services. Lessees on the property obtain telecommunications services through third-party telecommunications providers (e.g., AT&T, Verizon). There were no concerns expressed regarding the availability or reliability of telecommunications services, including high-speed internet.

18.2.3 Service Sharing

While Moffett Field provides its own law enforcement services, it has an agreement known as an “Interaction Memorandum of Understanding” with the cities of Mountain View and Sunnyvale. Through this mutual aid-type of agreement, in the event of an emergency situation such as a large fire or earthquake, resources can be shared among the three agencies. Moffett Field also opens its facilities to other municipal public safety departments from the greater Bay Area to train for disaster preparedness.

18.3 Financial Information

NASA Ames FY 2013-14 operating budget was \$ 732.5 million. More information about NASA Ames’ finances are available on its website.

19 San Martin

19.1 Rural Unincorporated Community

San Martin is a rural unincorporated community governed by the County Board of Supervisors. The community is approximately 5.5 square miles and is located between the cities of Morgan Hill and Gilroy, outside of each city's sphere of influence (SOI). The exact boundaries of the community are not formally defined. However, a planning area boundary for San Martin is identified in the County's general plan (see Figure 44 for map). The San Martin planning area boundary corresponds roughly to the currently defined San Martin Census Designated Place and includes valley lands between hillside areas to the east and west and between Maple Avenue to the north and Masten and Fitzgerald Avenues to the South. The population of the community in 2010 was approximately 7,027 (source: San Martin Census Designated Place, Census 2010).

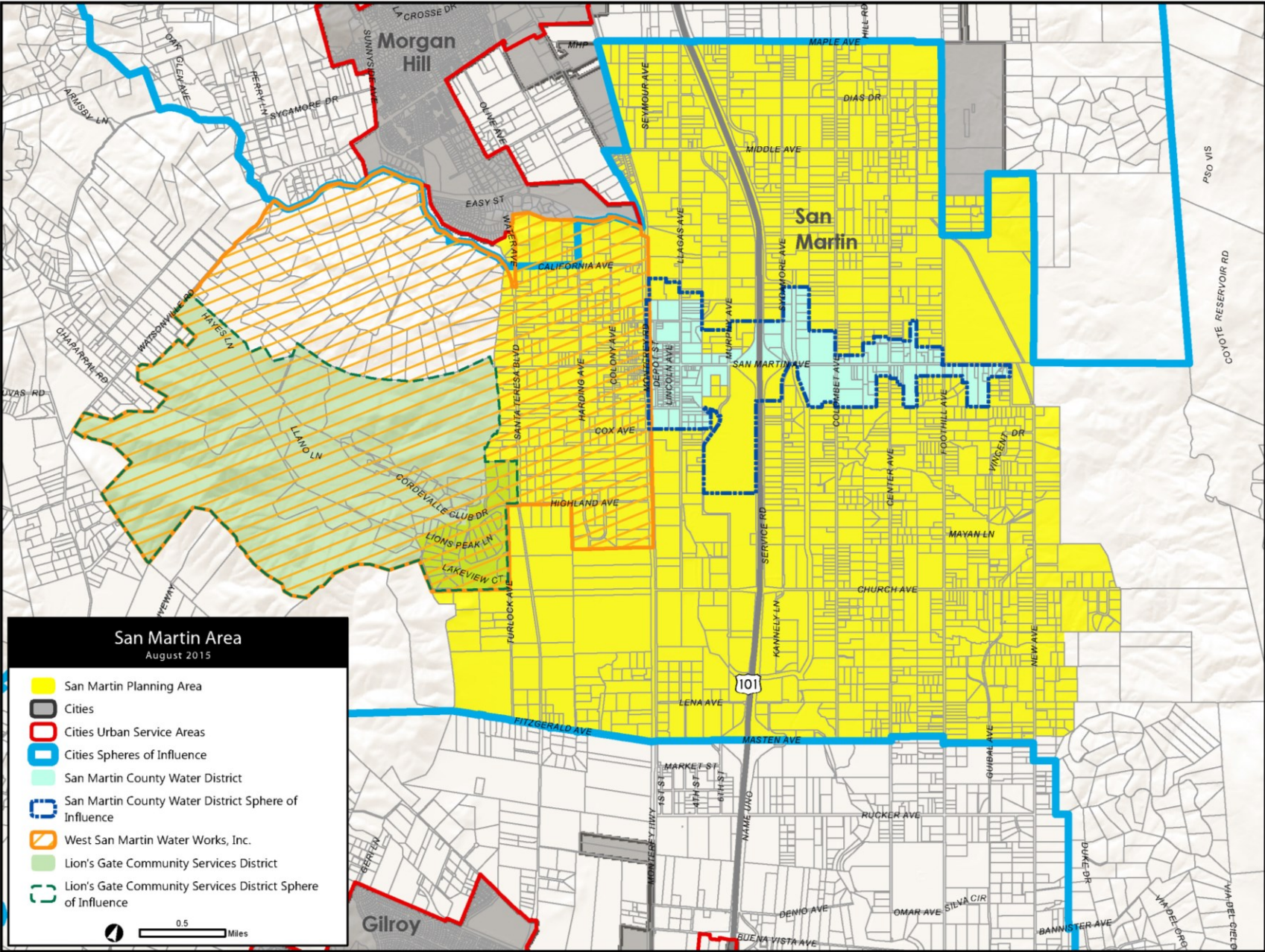
The community core is centered at the intersection of Monterey Road and San Martin Avenue and consists of single-family lots and most of the commercial and industrial uses within the community. In general, the remaining lands in the community consist of rural residential development. The South County Airport, owned and operated by the County of Santa Clara, is also located in San Martin. To the west of the community is the Hayes Lane subdivision of large residential lots and the CordeValle golf course and residential development consisting of a 41-lot subdivision of estate homes.

Per County policies, the vast majority of San Martin does not receive sewer service or water service. Generally, wastewater is managed onsite through individual septic systems and water is provided onsite through individual and shared wells.

The San Martin County Water District provides potable water service to a portion of San Martin, east of Monterey Road and centered along San Martin Avenue. The West San Martin Waterworks Company, an investor-owned company, provides water service to CordeValle and to the Hayes Lane subdivision. The Lions Gate Community Service District provides wastewater collection and treatment services to CordeValle.

The County general plan includes special policies for the San Martin planning area which discourage any significant increase in the types or densities of land use in the area absent a master plan that addresses both land use and infrastructure issues and methods for financing the improvements, and identifies the government entities that would provide the specified services.

Figure 44. San Martin Planning Boundary



19.2 Incorporation Effort

In late 2006, a group of residents from San Martin met with LAFCO staff in several pre-application meetings to review the petition, process, cost and requirements. LAFCO staff also held discussions on potential boundaries and other issues with various other stakeholder agencies such as the County and the cities of Morgan Hill and Gilroy during this time.

A formal effort to incorporate began in February 2007 when LAFCO received a petition and application from a group of residents for the proposed incorporation of the Town of San Martin. The petition was verified by the County Registrar of Voters and found to be sufficient in March 2007. The primary purpose of the incorporation was to gain local control over land use in the area. The Proponents (i.e. San Martin Neighborhood Alliance, SMNA) indicated that they wanted to maintain the existing rural character of the area and that no new services, no new development and no new taxes or assessments were anticipated as a result of the proposed incorporation.

The proposed incorporation boundary of the Town of San Martin consisted of lands within the San Martin planning area boundary and some lands to the west including the CordeValle Golf Course and residential development, and the Hayes Lane subdivision.

This being the first incorporation ever processed by Santa Clara LAFCO, LAFCO had to develop and adopt incorporation policies. LAFCO held two informational workshops, one in San Martin and another at a LAFCO meeting, prior to adopting the policies at a public hearing in May 2007. These policies, in addition to the CKH Act and the State of California's Office of Planning and Research's Incorporation Guidelines, served as a guide to LAFCO in processing the incorporation proposal.

The application processing activities occurred over the course of two years including discussions at numerous regular and special LAFCO meetings, at informational workshops and at three LAFCO public hearings. In addition, multiple formal and informal discussions/meetings were held with the proponents, the County, the consultants, LAFCO legal counsel, and other affected or interested parties, in order to coordinate, consult and obtain input. The following is a summary listing of the various activities involved in processing the San Martin Incorporation proposal:

- Developing and entering into a fee agreement with proponents and considering an indemnification agreement
- Hiring of consultants (through RFP processes) for preparing the Comprehensive Fiscal Analysis (CFA) and for conducting CEQA evaluation
- Retaining special LAFCO Counsel after County Counsel withdrew from representing LAFCO on the incorporation due to a conflict of interest
- Evaluating alternative boundaries for the proposed incorporation
- Working with the consultant, proponents, various County departments and other stakeholders on the CFA and plan for services
- Working with consultant on CEQA
- Facilitating revenue neutrality negotiations between the County and proponents
- Evaluating options and recommending revenue neutrality terms when negotiations between the County and proponents failed
- Preparing the Executive Officer's Report with recommendations and terms & conditions
- Setting the date for the public hearing; and pursuant to the Fee Agreement, directing that the full amount of fees be paid no later than 72 hours prior to the November 7, 2008 LAFCO public hearing.

The Executive Officer's Report and the Final CFA indicated that the incorporation would be feasible and be able to meet revenue neutrality terms if it were contingent on approval of a certain percentage of utility

users' tax. The proponents questioned/objected to the CFA report and the resultant terms and conditions and requested that LAFCO seek State Controller Review of the CFA.

However, the Proponents failed to pay LAFCO fees as directed.

At the November 7, 2008 LAFCO public hearing, the Commission directed staff to draft a resolution for the next LAFCO meeting denying the incorporation for the Proponent's failure to pay LAFCO fees pursuant to the fee agreement between LAFCO and the Proponents and without considering the merits of the incorporation proposal.

At the December 2008 meeting, the Commission adopted a resolution denying the incorporation proposal.

On February 2, 2009, SMNA filed a lawsuit against LAFCO in which it challenged LAFCO's review and processing of the San Martin Incorporation Proposal and request for State Controller's review of the CFA. On February 17th, SMNA made a settlement offer to LAFCO, to which LAFCO made a counter offer. LAFCO approved the resultant settlement agreement at the June 3, 2009 LAFCO meeting.

Under the settlement agreement LAFCO waived the fees (approx. \$211,677.24) it incurred in processing the incorporation and SMNA dismissed its petition and complaint, with prejudice. The agreement also states that if SMNA files an application for incorporation in the future, it must pay LAFCO's outstanding fees.

An incorporation proposal is one of the most complex types of applications that a LAFCO can process. The incorporation process is lengthy and expensive, involving a substantial amount of LAFCO staff and the Proponents' time; as well as, the work of consultants (i.e. fiscal analysis and environmental impact analysis), coordination and/or negotiation with staff from affected agencies, and participation by landowners and residents in the affected area. In the case of the proposed incorporation of the Town of San Martin, the review and consideration process transpired over two years and hundreds of thousands of dollars of costs were incurred in processing the proposal.

As of this time, no further incorporation applications have been filed with LAFCO.

20 Stanford University

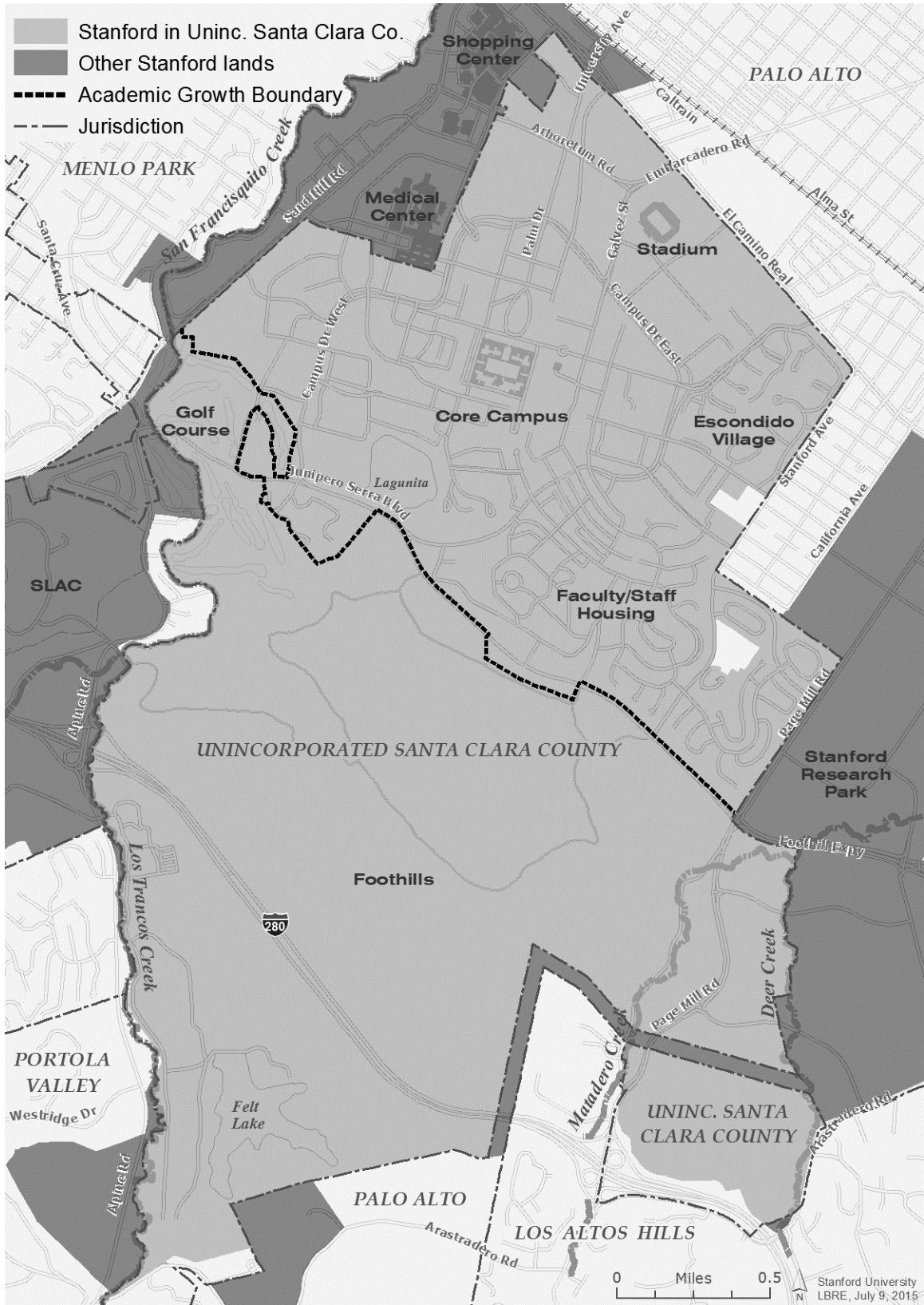


20.1 Agency Overview

Founded in 1891, Stanford is a private university that is governed by a Board of Trustees and a University president. The University is comprised of more than 70 undergraduate departments and seven professional graduate schools. As of 2015, the total student, faculty, and staff population is 29,523.

Stanford University's campus extends over 8,180 contiguous acres in both Santa Clara and San Mateo counties. As of 2015, the University's unincorporated area in Santa Clara County spans 6.28 square miles. The University also owns approximately 1.81 square miles of land in the incorporated City of Palo Alto as shown in Figure 45.

Figure 45. Stanford University Existing Boundaries



20.1.1 University Population and Transportation

The University's population of 28,139 is broken down by students, faculty, and staff in Table 208.

Table 208. University Population

University Population	2015
Students	
Undergraduate	7,018
Graduate	9,118
Faculty (professoriate)	2,118
Staff¹	9,885
Total population	28,139

Source: Stanford Facts: 2015

¹Staff totals do not include employees with the Stanford Linear Accelerator

The University has implemented a comprehensive transportation demand management (TDM) program, intended to shift commuter behavior away from single-occupancy vehicles to alternate modes. The TDM Program was established as part of Stanford's General Use Permit, which is described in Section 20.1.2. One of the TDM program's key goals is to keep peak hour (defined as the one-hour period with the highest volume of traffic between 7:00 a.m. and 9:00 a.m. and 4:00 p.m. to 6:00 p.m.) commute trips less than or equal to a baseline number established in 2001. To accomplish this, Stanford offers numerous alternative transportation options, including an extensive, free shuttle system called the Marguerite, a commute club for employees who use non-drive-alone commute modes including ridesharing, a platinum-level bike program, and free public transit passes for eligible employees.

20.1.2 Growth and Population Projections

Stanford's development is regulated by a General Use Permit (GUP) administered by the County of Santa Clara. The GUP provides the University rights to grow and develop. Stanford's GUP is mindful of population growth and its impacts on the University and surrounding communities (e.g., traffic, housing, biological resources). The most recent GUP was issued in 2000. Over the past 15 years, Stanford developed approximately 1.5 million square feet of new academic space, out of a total of 2.035 million square feet permitted under the GUP.

20.1.3 Housing

Stanford is a major provider of housing for students and faculty. A breakdown of the University's housing stock is shown in Table 209.

Table 209. University Housing Data

Housing Data Point	2015
Number of total housing units (student, staff and faculty)	13,018
Owner-occupied (SFR) housing units (faculty)	850
Rental housing units (faculty)	628
Undergraduate beds	6,503
Graduate beds	5,037
Housing need by income category	
Above moderate	230
Moderate	-
Low	87
Very Low	350
Total	667

Sources: County of Santa Clara Housing Element, University website, Stanford Facts 2015, Stanford Budget Plan 2015/16 – Schedule 11

The University is included in the County of Santa Clara’s Housing Element Update for 2015-2022, which was adopted by the Board of Supervisors in June 2014. While Stanford’s central campus is located within Palo Alto’s SOI and USA, there is no intent or plan for annexation. Several special agreements are in place between the University, the City of Palo Alto and County, as described in section 20.2. As part of these agreements, responsibility for meeting the regional housing allocation need shown in Table 209 rests with the County. More information about the nature of these agreements can be found in the County’s most recent Housing Element Update on the Department of Planning and Development’s website.

20.2 University Services and Operations

The University owns land in Santa Clara County, San Mateo County, the cities of Palo Alto and Menlo Park, and the towns of Woodside and Portola Valley. Stanford operates under a 1985 land use policy agreement between Stanford University, the City of Palo Alto and the County. The agreement allows for Stanford to remain an unincorporated area of Santa Clara County and provide its own services. The University provides many of its core services internally, such as libraries, recreation, planning and building, and managing its own roads, water, sanitary sewer and stormwater system.

20.2.1 Land Use and Development

Within Santa Clara County, Stanford’s growth and development is determined by an academic growth boundary (AGB). The AGB is established in concert with the County’s Planning Office in 2000. The AGB functions like an Urban Service Area in a city, defining what land the University is permitted to develop and what lands are to remain open space with limited development. The AGB is the primary mechanism for promoting compact urban development and resource conservation. In 2015, the University’s AGB is estimated to be 2.14 square miles. These boundaries can be seen in Figure 45.

20.2.2 Service Provision

Stanford University's core services are delivered by both University staff and contract service providers. The primary service provider for the major services discussed in this report is summarized in Table 210.

Stanford University officials did not anticipate any difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 210. University Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-University Service Provider(s), if applicable	Available Measures
Animal Control	Contract	Crane Pest Control (rodents and wild animals) County of Santa Clara (all other animals)	
Law and Parking Enforcement	MOU Contract	County of Santa Clara, Sheriff's Department City of Palo Alto (dispatch)	1 police station
Library	University		20 library facilities
Lighting	Contract	City of Palo Alto	
Parks and Recreation	University		1 golf course 2 swimming pools
Planning/Building	University		
Recycled Water	University		
Solid Waste	Contract	Peninsula Sanitary Services Inc.	CY 2012: 7,900 tons solid waste FY 2013: 66% landfill diversion rate
Streets	University		49 street miles 43,000 trees
Stormwater	University		1 trash capture unit In conformance with NPEDS
Utilities			
Electricity	University: Power Systems Group		
Gas	Contract	Pacific Gas and Electric	
Telephone, High-speed Internet	University		
Wastewater	University Water Resources and Civil Infrastructure Group	Palo Alto Regional Water Quality Control Plant ¹	

Source: University website and University Staff interviews

¹The Palo Alto Regional Water Quality Control Plant is a partnership agreement among several public agencies. The City of Palo Alto is the owner and operator of the Regional Water Quality Control Plant. The cities of Mountain View, Los Altos, Los Altos Hills along with Stanford University and East Palo Alto Sanitary District have agreements to use a portion of the plant's capacity. Through this partnership agreement, all six agencies proportionately share in the costs of building and maintaining the facility.

20.2.3 Service Sharing

Stanford is engaged in a number of service sharing arrangements with other agencies. The University is a partner agency in the Palo Alto Regional Water Quality Control Plant. The University has agreements with both public and private agencies for services such as fire, law enforcement, animal control, and solid waste services. In addition, the University leases land to the City of Palo Alto for a community playing field located at the corner of El Camino Real and Page Mill Road, the El Camino Ballpark and the Palo Alto Transit Center, and the Bol Park starting at Arastradero Road and Foothill Expressway. Stanford also has easements to the County of Santa Clara for the S1-Matadero Trail and the C2-Adobe Creek Trail.

20.3 Financial Information

Stanford University has a total endowment of approximately \$21.4 billion. The University's projected FY 2015 operating budget is \$4.89 billion. More information about the University's finances is available on the University's website.

Focus Areas

21 Focus Area: Shared Services

21.1 County Overview

21.1.1 Defining Shared Services

Shared services, as defined for this report, includes any strategy in any form for delivering services on a shared basis that improves economies of scale, efficiencies or effectiveness. It is not limited to merely the sharing of programs or functions, but also relates to the sharing of infrastructure and facilities.

21.1.2 Shared Services in Local Government

Municipalities have been sharing services and facilities in Santa Clara County for years. Regional fire services provided by the Santa Clara County Fire Department, wastewater treatment through San Jose’s wastewater treatment facility, and contracted law enforcement services from the Santa Clara County Sheriff’s Office are three examples of inter-municipal cooperation in the County that have endured for well over 40 years.

Cooperation between local agencies can be as simple as two cities sharing a piece of park equipment, but in many cases the issues are more complex. Determining a governance model, assigning operational and administrative responsibility among participants, developing liability and risk management protocols, developing equitable cost allocation and funding methodologies, identifying dissolution strategies, and deciding on the form of agreement are all complexities that agencies must address in creating shared services models.

In most cases, successful service sharing is tested against the “Three E’s”:

- **Economy:** Does the arrangement reduce current program costs now or in the future?
- **Efficiency:** Does the arrangement improve the current delivery of programs or services?
- **Effectiveness:** Does the arrangement allow the participants to deliver improved services from qualitative perspectives that, individually, would be difficult to replicate?

Shared services arrangements need not meet all of the Three E’s, but any one of the three may be met in order for a service to be considered successful.

Shared services in which a municipality may participate take many different forms. Each is described below.

- **Joint powers agreement (JPA):** entities created by two or more public entities jointly exercising powers common to all of them under California Government Code §6502.
- **Contracts between public agencies:** these typically take three forms in a shared services model:
 - **Memorandum of understanding (MOU):** a multilateral agreement between two or more parties with a common intent to act together towards a set of common purposes.
 - **Joint use agreement (JUA):** a formal agreement between two or more parties to share use of property or facilities.

- **Contracts or other agreements:** shared services may also simply take the form of a contract for service, with one or multiple parties having an agreement with the service provider.
- **Public-Private Partnerships:** a contractual arrangement whereby the resources, risks and rewards of both a public agency and private company are combined to provide greater efficiency, better access to capital, and improved compliance with a range of government regulations regarding the environment and workplace.

In the purest sense, shared services typically do not include outsourcing arrangements, whereby an entity has decided to contract services to another party or entity. However, in many situations these outsourcing arrangements are becoming shared services arrangements. The outsourcing of law enforcement services to the County Sheriff's Office is a prime example. As more agencies contract with the Sheriff, the overall provision of law enforcement in the region changes the nature from a one-to-one contract to that of a region shared service. The contractual relationship is between the Sheriff and the contracting agency, but the provision of the services take the form of a true cooperation among agencies. For purposes of this report, outsourced services are included in the analysis of shared services across the County.

Special Districts are a separate form of local government established under state law to meet a specific community need that a city or county may not otherwise be able to provide. Special districts represent an alternate form of providing services within their established boundaries. However, for purposes of evaluating shared services in a cities services review, special districts are not included in this shared services analysis as their jurisdictional authority allows them to provide services within or across multiple agencies. However, to the extent that cities contract for services with special districts outside of the district's normal service boundaries, those contracts have been noted herein.

21.1.3 Shared Services at a Glance – An Overview of Shared Services in the County

Throughout the course of the Cities Service Review, Management Partners spoke with each agency to determine the nature and extent of shared services in which they participate. This study did not include fire or water services as those were covered in previous LAFCO service reviews.

Shared services that were identified in this cities services review in Santa Clara County are grouped into the following three categories:

1. Joint Powers Agreements
2. Contracts Between Public Agencies
3. Public-Private Partnerships

21.1.3.1 JOINT POWERS AGREEMENTS

Table 211 provides an overview of the JPAs in place throughout Santa Clara County and are broken down by service area.

Table 211. Joint Powers Agreements in Santa Clara County

Service / Name of JPA	Members	Governance Structure	Purpose
Animal Control			
Silicon Valley Animal Control Authority	<ul style="list-style-type: none"> • Campbell • Monte Sereno • Mountain View • Santa Clara 	Board of Directors composed of one councilmember from each member agency	Animal care and control services for the residents of the communities comprised of the four member agencies
Law Enforcement			
Silicon Valley Regional Interoperability Authority	<ul style="list-style-type: none"> • Campbell • Cupertino • Gilroy • Los Altos • Los Gatos • Milpitas • Morgan Hill • Mountain View • Palo Alto • Santa Clara • San Jose • Saratoga • Sunnyvale 	Board of Directors consisting of elected officials as follows: <ul style="list-style-type: none"> • One representing Campbell, Cupertino, Monte Sereno, Saratoga and Los Gatos • One representing Los Altos, Mountain View and Palo Alto • One representing County Board of Supervisors • Two representing San Jose • One representing the County Sherriff's Office • One representing Milpitas, Santa Clara and Sunnyvale • One representing Morgan Hill and Gilroy • One as a City Selection Committee appointee for Santa Clara County 	Identify, coordinate and implement public safety communications interoperability solutions to its members

Service / Name of JPA	Members	Governance Structure	Purpose
Library			
Santa Clara County Library District	<ul style="list-style-type: none"> • Campbell • Cupertino • Gilroy • Los Altos • Los Altos Hills • Milpitas • Monte Sereno • Morgan Hill • Saratoga • County of Santa Clara 	Board of Directors consisting of one member of each of the nine member city councils, and two members from the Santa Clara County Board of Supervisors	Library services
Solid Waste			
West Valley Solid Waste Management Authority	<ul style="list-style-type: none"> • Campbell • Los Gatos • Monte Sereno • Saratoga 	Board of Directors consisting of elected officials from its four member agencies	Arrange for and manage the collection, disposal, recycling and landfill diversion of solid waste originating in the four member municipalities
Stormwater			
San Francisquito Creek Joint Powers Authority	<ul style="list-style-type: none"> • Palo Alto • Menlo Park • East Palo Alto • County of San Mateo • Santa Clara Valley Water District 	Board of Directors consisting of elected leaders from its five member agencies	Address flooding, environmental and recreational concerns along the San Francisquito Creek and San Francisco Bay
Wastewater			
South County Regional Wastewater Authority	<ul style="list-style-type: none"> • Gilroy • Morgan Hill 	Board of Directors representing the cities of Gilroy (three appointees) and Morgan Hill (two appointees)	Wastewater treatment management for the cities of Gilroy and Morgan Hill

Service / Name of JPA	Members	Governance Structure	Purpose
Other			
Santa Clara Valley Habitat Agency	<ul style="list-style-type: none"> • Gilroy • Morgan Hill • San Jose • County of Santa Clara • Santa Clara Valley Water District • Santa Clara Valley Transportation Authority 	Governing Board comprised of two representatives of each of the four participating jurisdictions (three cities plus the County)	Implementation of the Habitat Plan, providing streamlined state and federal permitting for public and private projects, and addressing impacts of projects on endangered and threatened species and their habitats

21.1.3.2 CONTRACTS BETWEEN PUBLIC AGENCIES

Table 212 provides an overview of the contracts in place between various agencies within Santa Clara County. They are identified by city.

Table 212. Contracts Between Public Agencies in Santa Clara County

Provides Services To		Receives Services From	
Service	Agencies	Service	Agency
Campbell			
Other – Information Technology Services	<ul style="list-style-type: none"> • Monte Sereno 	Law Enforcement – Public Safety Dispatch (Shared)	<ul style="list-style-type: none"> • Milpitas
		Public Works – Equipment (Shared)	<ul style="list-style-type: none"> • Cupertino • Los Gatos
		Recreation Facilities – Sports Fields	<ul style="list-style-type: none"> • Campbell Union High School District
Cupertino			
		Animal Control	<ul style="list-style-type: none"> • San Jose
		Law Enforcement – Police	<ul style="list-style-type: none"> • Santa Clara County Sheriff
		Public Works – Equipment (Shared)	<ul style="list-style-type: none"> • Campbell • Los Gatos
Gilroy			
Recreation Facilities – Gymnasium, Aquatics	<ul style="list-style-type: none"> • Christopher High School • Gilroy High School 	Other – Environmental Services Manager	<ul style="list-style-type: none"> • Morgan Hill
		Law Enforcement – SWAT (Shared)	<ul style="list-style-type: none"> • Morgan Hill

Provides Services To		Receives Services From	
Service	Agencies	Service	Agency
		Stormwater – Compliance (Shared)	<ul style="list-style-type: none"> Morgan Hill
Los Altos			
		Animal Control	<ul style="list-style-type: none"> Palo Alto
		Law Enforcement – SWAT (Shared)	<ul style="list-style-type: none"> Palo Alto Sunnyvale
		Law Enforcement – Public Safety Dispatch (Shared)	<ul style="list-style-type: none"> Mountain View Palo Alto
		Recreation Services – Program (Shared)	<ul style="list-style-type: none"> Los Altos Hills
		Wastewater – Treatment	<ul style="list-style-type: none"> Palo Alto
Los Altos Hills			
		Animal Control	<ul style="list-style-type: none"> Palo Alto
		Law Enforcement – Police	<ul style="list-style-type: none"> Santa Clara County Sheriff
		Recreation Services – Program (Shared)	<ul style="list-style-type: none"> Los Altos
		Wastewater – Treatment	<ul style="list-style-type: none"> Palo Alto
Los Gatos			
Law Enforcement – Emergency Operations Center	<ul style="list-style-type: none"> Monte Sereno 	Animal Control	<ul style="list-style-type: none"> San Jose
Law Enforcement – Police	<ul style="list-style-type: none"> Monte Sereno 	Public Works – Equipment (Shared)	<ul style="list-style-type: none"> Campbell Cupertino
		Recreation Services (Contract)	<ul style="list-style-type: none"> Los Gatos-Saratoga Recreation District
Milpitas			
		Animal Control	<ul style="list-style-type: none"> San Jose
		Law Enforcement – Public Safety Dispatch (Shared)	<ul style="list-style-type: none"> Campbell
		Wastewater - Treatment	<ul style="list-style-type: none"> San Jose / Santa Clara Regional Wastewater Facility
Monte Sereno			
		Law Enforcement – Emergency Operations Center	<ul style="list-style-type: none"> Los Gatos
		Law Enforcement – Police	<ul style="list-style-type: none"> Los Gatos

Provides Services To		Receives Services From	
Service	Agencies	Service	Agency
		Other – Information Technology Services	<ul style="list-style-type: none"> Campbell
		Recreation Services (Contract)	<ul style="list-style-type: none"> Los Gatos-Saratoga Recreation District
Morgan Hill			
Other – Environmental Services Manager	<ul style="list-style-type: none"> Gilroy 	Stormwater – Compliance (Shared)	<ul style="list-style-type: none"> Gilroy
Law Enforcement – SWAT	<ul style="list-style-type: none"> Gilroy 		
Mountain View			
Law Enforcement – Special Events	<ul style="list-style-type: none"> Santa Clara 	Law Enforcement – Public Safety Dispatch (Shared)	<ul style="list-style-type: none"> Los Altos Palo Alto
Wastewater – Collection and Transfer	<ul style="list-style-type: none"> Moffett Field (NASA) 	Recreation Facilities – Sports Fields	<ul style="list-style-type: none"> Mountain View-Whisman School District
		Solid Waste – Processing, Recycling and Transfer	<ul style="list-style-type: none"> Sunnyvale
		Wastewater – Recycled Water	<ul style="list-style-type: none"> Palo Alto
		Wastewater – Treatment	<ul style="list-style-type: none"> Palo Alto
Palo Alto			
Animal Control	<ul style="list-style-type: none"> Los Altos Los Altos Hills 	Law Enforcement – SWAT (Shared)	<ul style="list-style-type: none"> Los Altos Sunnyvale
Wastewater – Recycled Water	<ul style="list-style-type: none"> Mountain View 	Law Enforcement – Public Safety Dispatch (Shared)	<ul style="list-style-type: none"> Los Altos Mountain View
Wastewater – Treatment	<ul style="list-style-type: none"> Los Altos Los Altos Hills Mountain View Moffett Field (NASA) 	Recreation Facilities – Sports Fields	<ul style="list-style-type: none"> Palo Alto Unified School District
		Solid Waste – Processing, Recycling and Transfer	<ul style="list-style-type: none"> Sunnyvale
San Jose			
Animal Control	<ul style="list-style-type: none"> Cupertino Los Gatos Milpitas Saratoga 		
Library – Facilities	<ul style="list-style-type: none"> San Jose State University 		

Provides Services To		Receives Services From	
Service	Agencies	Service	Agency
Wastewater – Treatment (Jointly Owned with San Jose)	<ul style="list-style-type: none"> • Milpitas • Cupertino Sanitary District • West Valley Sanitation District • County Sanitation Districts 2-3 • Burbank Sanitary District 		
Santa Clara			
Wastewater – Treatment (Jointly Owned with San Jose)	<ul style="list-style-type: none"> • Milpitas • Cupertino Sanitary District • West Valley Sanitation District • County Sanitation Districts 2-3 • Burbank Sanitary District 	Law Enforcement – Special Events	<ul style="list-style-type: none"> • Mountain View • Sunnyvale
Saratoga			
		Animal Control	<ul style="list-style-type: none"> • San Jose
		Law Enforcement – Police	<ul style="list-style-type: none"> • Santa Clara County Sheriff
		Recreation Facilities – Sports Fields	<ul style="list-style-type: none"> • Campbell Union High School District
		Recreation Services (Contract)	<ul style="list-style-type: none"> • Los Gatos-Saratoga Recreation District
Sunnyvale			
Solid Waste – Processing, Recycling and Transfer Station	<ul style="list-style-type: none"> • Mountain View • Palo Alto 		
Wastewater – Collection and Transfer	<ul style="list-style-type: none"> • Moffett Field (NASA) 		
Wastewater – Recycled Water	<ul style="list-style-type: none"> • Moffett Field (NASA) 		

21.1.3.3 PUBLIC-PRIVATE PARTNERSHIPS

Table 213 provides an overview of the public-private partnerships that were identified by city staff during the course of the cities services review.

Table 213. Public-Private Partnerships Identified by Cities

City	Private Partner(s)	Service
Palo Alto	Avenidas	Senior services provided to residents from City-owned facilities through a rent-free use agreement
Morgan Hill	YMCA of Silicon Valley	Operation of Centennial Recreation Center and Senior Center, providing recreation and senior programs to the community
San Jose	Various non-profit agencies	Leases 42 of 54 city-owned community centers to nonprofit organizations to provide recreation and community services at no or low cost

21.1.4 Opportunities for Additional Shared Service Arrangements

Several areas were identified as opportunities for further expansion of cooperative models of shared services. Some of these opportunities are underway in various stages of discussion, while others would require further research by agencies throughout the County.

Shared service opportunities identified in the Cities Service Review are summarized below.

21.1.4.1 ANIMAL CONTROL AND SHELTER SERVICES

In order to protect the health and safety of the community, cities will typically enact ordinances that establish laws regarding animals within its jurisdictional boundaries. These laws are administered through animal control services. Cities may decide to handle animal control themselves, partner with other agencies to provide those services, or outsource those service to a third party (typically a nonprofit organization such as a humane society). The cities of Palo Alto and San Jose both handle their own animal control and shelter services, and share those services with other agencies. Similarly, the SVACA JPA serves Campbell, Monte Sereno, Mountain View and Santa Clara. Palo Alto indicated the potential to spin off their animal control services to a nonprofit humane society in the future should the costs for providing those services become prohibitive. Counties such as San Mateo have consolidated all of their animal control services to a nonprofit humane society whose contract is managed by the County. There may be greater opportunities to explore a larger animal control network within the County to provide economies of scale in serving the County's animal control and sheltering needs.

21.1.4.2 LAW ENFORCEMENT DISPATCH

Every city in Santa Clara County provides a public safety answering point (PSAP) within its jurisdiction. A PSAP is a call center responsible for answering calls to an emergency telephone number (9-1-1) for police, fire or ambulance services. Five agencies in the County are currently sharing public safety dispatch services in some fashion, and most agencies have backup arrangements with other public safety answering points (PSAPs) for dispatch services when a PSAP is unable to receive or dispatch calls. Police dispatch is an area where many agencies in the region have identified opportunities to consolidate services. Consolidated fire dispatch has had greater success in recent years than consolidated police dispatch. Nevertheless, there are opportunities to eliminate redundant or duplicative services depending on call volume during peak periods to allow for consolidated police dispatch services among county PSAPs.

21.1.4.3 ATHLETIC FIELDS AND PARKS FACILITIES

Cities continue to seek ways to meet the demands for recreational services and facilities in the Bay Area. The growing population in the County is placing greater demands for such amenities as

athletic fields to support youth and adult sports leagues such as baseball, softball, soccer and football. Palo Alto's soccer fields are being used at capacity, while other fields such as softball or baseball fields have excess capacity that could be shared with other communities and the schools. In addition, Palo Alto is also exploring opportunities with the local school districts to provide park use during school hours. Doing so will provide opportunities to share the cost of parks maintenance. There are several other opportunities to share existing open space to meet the growing demands placed on the region through increased commercial investments and housing within the County. These would require developing joint use agreements, MOUs, or other forms of agreement.

21.1.4.4 RECREATION SERVICES AND FACILITIES

As indicated above, the growing population in the County is placing greater demands for recreation services and facilities. Adult education classes, senior services, youth classes and event, and other recreation opportunities continue to be in demand, and yet some jurisdictions have multiple facilities or service providers that in some cases may be providing overlapping recreational services. Cupertino is one such city where this is occurring. Staff indicated that the City and the library (operated by the Library District) in some cases overlap recreational services such as adult education, classes for preschoolers, and after school programs. Both the City and the Library are providing these types of classes to their respective constituents. There could be opportunities for Cupertino, and perhaps the other cities that participate in the Santa Clara County Library District, to enter into shared services arrangements to enhance and eliminate duplicated services in a more seamless fashion.

In addition, the Rancho Rinconada Recreation and Park District is a small special district that operates a recreation facility with swimming pool, playground, and other recreational amenities within the City of Cupertino. There may be opportunities to explore shared services with the District to serve Cupertino and other neighboring cities, including western San Jose, Saratoga and Campbell. There may be several other opportunities for agencies to work more closely with private facilities (e.g., private community centers, athletic facilities) to extend existing recreational services at a reasonable cost based on growing demands for services.

21.1.4.5 SOLID WASTE MANAGEMENT AND RECYCLING PROGRAMS

California adopted its first statewide, general recycling program in 1989 with the passage of AB939 that required jurisdictions to implement a program to achieve a 25% diversion of all solid waste from landfills by January 1, 1995, and 50% diversion rate by January 1, 2000. Prior to 2007, diversion rates were calculated using an adjustment method that relied on a complicated formula that took into account taxable sales adjusted for inflation, employment and population. In 2007, solid waste diversion calculations were changed to reflect a per capita system that relies on existing reporting systems and uses a simple formula based solely on disposal and population. In 2011, the Legislature enacted AB341, establishing a statewide policy goal of 75% recycling, including source reduction, recycling and composting by 2020, using the period from 1990 to 2010 as the benchmark. CalRecycle was established as the oversight agency to ensure the state goals are met. CalRecycle works with local jurisdictions through permitting processes to ensure that state goals are achieved. Local agencies continue to work with their solid waste service providers to ensure these goals are achieved.

Regional collaboration becomes more important in this new solid waste management era. Examples of regional solid waste recycling and management programs include the West Valley Solid Waste Management Authority, a JPA serving Campbell, Los Gatos, Monte Sereno and Saratoga. The JPA allows those agencies to combine efforts in managing the collection, disposal, recycling and landfill

diversion of solid waste originating in those municipalities. Twelve agencies in San Mateo County through the South Bayside Waste Management Authority have experienced the benefits of combining resources to procure solid waste services from one provider and achieve greater diversion rates. In addition, the regional collaboration provides for economies of scale to lower costs for collection, disposal, and recycling services for the communities. This opportunity should be explored further within Santa Clara County to allow agencies to work together in meeting their collective solid waste goals and provide economic and efficiency benefits within their communities.

21.1.4.6 STORMWATER MANAGEMENT

In order to stop the spread of pollution into the nation’s water supply, the Water Pollution Control Act (or “Clean Water Act”) creates a framework for regulating storm water discharges under the National Pollutant Discharge Elimination System (NPDES) Permit system. Cities and other jurisdictions that operate storm water systems must apply for a municipal storm water permits. In 2013, the State Water Resources Control Board issued new permitting standards for “Phase II Small MS4 Permits” that introduced new, more stringent standards relative to stormwater runoff discharge standards and water quality issues after projects are built. These new federal and state requirements for managing stormwater run-off were mentioned by several agencies as a difficult issue they are addressing. A few cities indicated interest in greater collaboration regarding effective strategies to handle the reporting and administrative aspects of the new regulations. All agencies are working with one another in this regard. All agencies except for Gilroy and Morgan Hill (due to geographic constraints) participate in the Santa Clara Valley Urban Runoff Pollution Prevention Program, or SCVURPPP, which is an association of the cities, the County, and the Santa Clara Valley Water District, to prevent pollutants generated from activities in urban service areas from entering runoff to the fullest extent practicable. Through SCVURPP, member agencies share a common NPDES permit to discharge stormwater to South San Francisco Bay. Gilroy and Morgan Hill are working together in the same fashion towards NPDES permitting and compliance issues. It was felt, however, there could be advantages to having agencies within the County sharing management oversight of each system’s discharge requirements and working more closely with maintenance operations in each agency.

21.1.4.7 UTILITIES—COMMUNITY CHOICE AGGREGATION

In 2002, AB 117 enabled communities to form community choice aggregations to create alternatives to investor-owned utilities for the procurement of electricity. Community choice aggregations (CCA) allow communities to gain greater control of electricity and energy pricing, provide greater local economic benefits with reduced power costs, and the opportunity to accelerate the implementation of clean power initiatives such as solar. A CCA becomes a shared service in that multiple agencies may partner together to acquire clean energy that reduces costs and provides economies of scale for their constituents similar to regional collaborations for the procurement of solid waste providers. Several communities in the County have been discussing the opportunity to create a CCA. Sunnyvale, Cupertino, Mountain View, Monte Sereno and the County have approved an agreement to move forward on the CCA and are sharing funding of a technical feasibility study. Lower electricity costs will be beneficial for both the agencies and the communities they serve.

21.1.4.8 WASTEWATER TREATMENT—RECYCLED WATER

The drought currently being experienced in California is requiring all agencies in the state to become more efficient in its use of this precious resource. Where desalination plants were a primary focus along the California coastline, more agencies are now capitalizing on improvements in recycled water technology as a means of managing their water resources on a long-term basis.

Palo Alto, through its wastewater treatment plant, provides recycled water within its community and is currently exploring opportunities to provide that water to other agencies. Mountain View indicated its interest in recycled water for the areas along Middlefield and North Whisman. San Jose and Santa Clara’s treatment plants are providing recycled water for landscaping, and are now in the process of identifying possible improvements to create potable water sources in their plant upgrade and expansion plans.

Opportunities exist to expand the conversion of wastewater discharges into usable water resources within the region. Recycled water delivery systems (or “purple pipe” as they are known) can be costly to put in place. Further advancements in recycled water technology such those being investigated in San Jose could eliminate these costs by returning potable drinking water back in existing water delivery systems. Agencies that run treatment plants are already in various stages of exploring recycled water opportunities, and engagement in these initiatives should also involve water utilities and other clean water initiatives within the County.

21.1.4.9 OTHER SERVICES

- **Large Equipment Maintenance.** The cities of Santa Clara, Cupertino and Campbell are discussing an opportunity to share large pieces of equipment used by their public works and parks maintenance operations. While most cities need recurring, everyday equipment readily at hand to serve their communities, other large pieces of equipment used on a less frequent basis (e.g., sewer vacuum jet trucks) can save acquisition and maintenance costs if shared.

21.1.4.10 OTHER SERVICE OPPORTUNITIES OUTSIDE OF THE CITIES SERVICE REVIEW

Agencies identified other service opportunities outside the scope of services reviewed in the Cities Service Review. These additional opportunities are identified below.

- **Consolidated Fire Dispatch.** San Mateo County implemented a countywide shared services model for fire dispatch in the late 1990s that has provided economies of scale and more effective dispatch of fire and emergency medical services throughout the County. Collaboration among cities and the county, fire agencies, dispatch centers in each city (known as PSAPs), and ambulance providers was required to implement the model that is able to successfully manage large-scale countywide responses, such as the San Bruno Pipeline Explosion in 2010. Mountain View, Palo Alto, San Jose and the County are currently discussing joint fire dispatch; an opportunity that may wish to be explored countywide.
- **Ambulance Transport.** When the Emergency Medical Services Act was implemented in the 1980s, agencies that were providing ambulance transport services were grandfathered into the new legislation and allowed to maintain their transport rights under section 1797.201 of the California Health and Safety Code. Otherwise, those rights vested with the County. In Santa Clara County, Palo Alto is the only city that maintains its so-called “201 rights.” Palo Alto is interested in exploring opportunities within state law to provide ambulance transport services to other agencies adjacent to it, or otherwise seek other means of reducing operating costs in a more collaborative model countywide without losing its rights under existing state law.
- **Emergency Preparedness and Operations.** The Town of Los Gatos and City of Monte Sereno share an emergency operations center, and Los Gatos has provided emergency preparedness training to Monte Sereno for over 10 years. Most other cities have their own operations centers, and during emergency events tend to provide support as necessary.

There are shared services opportunities in the form of community preparedness training, staff emergency operations training, and operation center use agreements that could support a more robust emergency response within the County.

- **Community Shuttle System.** Mountain View is working with its largest employer, Google, to develop a community shuttle system that would serve the various Google facilities and provide opportunities for the general public within the city. As cities look to explore means of dealing with increased traffic demands, partnering with the Santa Clara County VTA, other local agencies, and the local business community could provide opportunities to provide lower cost transportation alternatives for those cities with dense housing and commercial areas.

21.1.4.11 SHARED SERVICES DETAILS FOR EACH AGENCY BY REGION

The following sections provide greater details regarding the shared services models currently used by agencies. The agencies have been categorized based on region to reflect the localized nature of service sharing presently taking place within Santa Clara County.

21.2 North County

North County, as defined for this section, includes Los Altos, Los Altos Hills, Mountain View, Palo Alto, and Sunnyvale. Because of their geographic proximity, these cities have combined efforts in several areas, including wastewater treatment, animal control services, recreation services, and in some cases have identified further shared services opportunities as discussed below.

21.2.1 Los Altos

Los Altos is engaged in shared services in several key areas of municipal service delivery through the use of JPAs, contracts, and partnership agreements. Through a partnership agreement with the City of Palo Alto, Los Altos is one of five member agencies that use a portion of the Palo Alto RWQCP capacity for wastewater treatment. The City is one of nine served by the County's library district. Animal control services are provided on a contract basis by the City of Palo Alto. A tri-city interoperability partnership between Los Altos, Palo Alto, and Mountain View offers a local dispatch center. While there is no formal agreement in place, the City of Los Altos and the Town of Los Altos Hills have a history of sharing senior program and sports league services.

21.2.2 Los Altos Hills

Los Altos Hills is engaged in extensive shared services in several key areas of municipal service delivery through the use of JPAs, contracts and partnership agreements. Through a partnership agreement with the City of Palo Alto, the Town is one of five member agencies that use a portion of the Palo Alto Regional Water Quality Control Plant's capacity for wastewater treatment. The Town is one of nine agencies served by the County's library district. The Town receives law enforcement services through a contract with the County Sheriff's Office. Animal control services are provided on a contract basis by the City of Palo Alto. The City of Los Altos and the Town of Los Altos Hills have a history of sharing senior program and sports league services.

The Town elected to not actively participate in the Silicon Valley Regional Interoperability Authority (SVRIA) because police dispatch services is included with the County Sheriff's Office contract. However inasmuch as the County participates in that JPA, the Town is an indirect participant in that initiative.

21.2.3 Mountain View

Mountain View is engaged in sharing municipal service delivery in several service areas through the use of JPAs, contracts and partnerships. The City is one of four member agencies in the Silicon Valley Animal Control Authority for animal control services. Through a partnership agreement with Palo Alto, the City is one of five member agencies that use a portion of the Palo Alto Regional Water Quality Control Plant's capacity for wastewater treatment. The plant also provides recycled water to the North Bayshore region. Mountain View also acts as a transfer point for wastewater collected by Moffett Field that is transported to the plant.

The City maintains an agreement with the Mountain View-Whisman School District which allows for joint use of school athletic fields and facilities by residents. The School District also allows the City to build and maintain facilities on school sites. Mountain View participates in a consolidated public safety dispatch system with Los Altos and Palo Alto. Mountain View also uses the Sunnyvale SMaRT Station for solid waste processing, recycling, and as a transfer station for disposal.

Mountain View is looking to expand its cooperative agreements with other public entities and private partners as follows:

- The City is interested in expanding recycled water access to the Middlefield and North Whisman areas in the future, but costs to extend "purple pipe" to those areas will need to be a partnership with the commercial areas that will be served by it.
- The City is an active participant in conversations regarding consolidated fire dispatch with Palo Alto, San Jose, and the County.
- There is interest in seeking shared services opportunities in the areas of wastewater, stormwater and fleet management services.
- The City and Google have a longstanding relationship as a result of Google's investment in the community. They are exploring opportunities to provide a community shuttle system to residents and Google employees using an all-electric fleet.

21.2.4 Palo Alto

Palo Alto is engaged in sharing municipal service delivery through the use of contracts and partnerships in several areas. Palo Alto provides wastewater treatment services to several communities through partnership agreements with those agencies, and through its treatment plant, which has the ability to provide recycled water for non-potable purposes. Palo Alto has an agreement with the Palo Alto Unified School District to share the use of elementary and middle school athletic fields. The City has partnered with a nonprofit agency, Avenidas, to provide senior program services. Avenidas leases building space from the City at no charge, and provides residents with senior services.

Palo Alto provides animal control services on a contract basis to Los Altos and Los Altos Hills, but has indicated that it needs to find new partners or more expansive shared services opportunities to maintain the service. Otherwise, it may seek the services of a nonprofit humane society to operate the service. Palo Alto participates with Los Altos and Mountain View in a consolidated public safety dispatch system. Palo Alto also uses the Sunnyvale SMaRT Station for solid waste processing, recycling, and as a transfer station for disposal.

The City has rights under state law to provide ambulance transport services, and is seeking ways within the law to extend those services to other local agencies.

Finally, the City is interested in greater shared facilities opportunities for its athletic fields and parks with other cities and local school districts.

21.2.5 Sunnyvale

Sunnyvale is the primary service provider for most major municipal services, and participates in relatively few shared services arrangements with other agencies. One key area of shared service is providing wastewater treatment capacity and services to Moffett Field. The City also works collaboratively with the police departments of Palo Alto, Mountain View and Los Altos on police SWAT services and training.

Sunnyvale owns the Sunnyvale Materials Recovery and Transfer Station (SMaRT Station), which is operated by a private company under contract with the City, to provide solid waste processing, recycling and as a transfer station for solid waste disposal. The SMaRT Station also serves the cities of Mountain View and Palo Alto under services agreements with those cities.

The City is analyzing the possibility of sharing such services as electricity provision through a CCA, wastewater treatment capacity (Sunnyvale's current system is reaching capacity), and a more regional approach to recycled water provision by tying in the Palo Alto, San Jose/Santa Clara, and Sunnyvale treatment systems.

21.3 West Valley

The West Valley consists of Campbell, Cupertino, Los Gatos, Monte Sereno, and Saratoga. These communities share several similar traits, including low- to moderate-density housing, a high focus on recreational amenities and open space, and a similar demographic mix. Their geographic proximity to one another has led to shared services opportunities in the area of solid waste, wastewater collection and treatment, recreation services, and law enforcement, as further discussed below.

21.3.1 Campbell

Campbell is engaged in sharing several key areas of municipal service delivery through the use of JPAs, special districts, contracts and partnership agreements. Campbell collaborates with neighboring jurisdictions in the areas of solid waste (through the West Valley Solid Waste Management Authority) and wastewater collection (through the West Valley Sanitation District). The City is one of nine served by the County's library district. The City is one of four member agencies in the Silicon Valley Animal Control Authority for animal control services.

Campbell Union High School District also partners with the City to share school fields. Campbell provides information technology management and support to the City of Monte Sereno. Campbell and Milpitas are providing shared public safety dispatch services with one another through an agreement. The City also shares maintenance equipment with the cities of Campbell, Cupertino and Los Gatos.

Campbell is currently in discussions with the City of San Jose about Hammond Park. If discussions are successful, Campbell would maintain the park in exchange for San Jose's providing rangers on the park's trails. Campbell shares the Hamilton and Bascom roadways with San Jose, so these two cities coordinate needed maintenance.

Campbell has an MOU with San Jose to maintain signal infrastructure at shared intersections, and Campbell indicated interest in expanding this agreement.

21.3.2 Cupertino

Cupertino is engaged in extensive shared services in several key areas of municipal service delivery through the use of JPAs, contracts and special districts. The City is one of nine served by the County's library district. The City receives law enforcement services through a contract with the County Sheriff's Office. Animal control services are provided on a contract basis by San Jose. Cupertino also partners with the Cupertino Union High School District to share school fields.

There is the potential for expanded recreational service sharing in two areas. The City, Cupertino Library (operated by the County Library District), and Rancho Rinconada Recreation and Park District provide overlapping recreation services within its municipal boundaries. The City is interested in discussing opportunities to consolidate or eliminate redundant services through a shared services model.

The City is also interested in exploring ways that community emergency preparedness training can be provided on a regional basis.

21.3.3 Los Gatos

Los Gatos is engaged in extensive shared services in several key areas of municipal service delivery through the use of JPAs, contracts and special districts. As part of the West Valley Solid Waste Management JPA, Los Gatos collaborates with neighboring jurisdictions to provide solid waste service to residents. Wastewater treatment is handled by the San Jose-Santa Clara Regional Wastewater Facility. Los Gatos and Monte Sereno have a joint Police Department that serves the two jurisdictions with Los Gatos employees. Recreation and senior services are provided through a contract with the Los Gatos-Saratoga Recreation District. The City of San Jose provides animal control services to the City.

21.3.4 Monte Sereno

Monte Sereno is the smallest community in the County and relies extensively on shared services agreements for several key areas of municipal service delivery. Monte Sereno collaborates with neighboring jurisdictions in the areas of solid waste (through the West Valley Solid Waste Management Authority) and wastewater collection (through the West Valley Sanitation District). The City is one of nine served by the County's library district. Monte Sereno receives parks and recreation services through a contract with the Los Gatos-Saratoga Recreation District. Los Gatos and Monte Sereno have a joint Police Department that serves the two jurisdictions with Los Gatos employees, which is housed in a facility in Los Gatos. The City has a contract with Campbell for information technology services.

Monte Sereno and Los Gatos share an emergency operations center, and Monte Sereno employees have trained with Los Gatos for the past ten years in emergency operations management. However due to capacity issues, Monte Sereno has begun to explore the possibility of sharing this function with other West Valley cities.

Monte Sereno recently began to explore the possibility of contracting with a nearby city for building inspections. The City has had discussions in the past with Los Gatos about sharing additional functions, such as human resources and public works. Finally, Monte Sereno is discussing opportunities with other cities in the area and the County to participate in the CCA efforts for electricity sharing.

21.3.5 Saratoga

Saratoga is engaged in extensive shared services in several key areas of municipal service delivery through the use of JPAs, contracts and special districts. Saratoga collaborates with neighboring jurisdictions in the areas of solid waste (through the West Valley Solid Waste Management Authority) and wastewater collection (through the West Valley Sanitation District). The City is one of nine served by the County's library district. The City receives law enforcement services through a contract with the County Sheriff's Office. Animal control services are provided on a contract basis by the City of San Jose. The City receives parks and recreation services through a contract with the Los Gatos-Saratoga Recreation District. Saratoga also partners with the Campbell Union High School District to share school fields.

Saratoga is interested in exploring opportunities with other agencies to address the increased stormwater management issues relative to the new federal and state regulations on stormwater discharge and treatment.

Finally, the City is partnering with the Midpeninsula Regional Open Space District to create a new park within Saratoga for the benefit of residents within the City and the region.

21.4 South County

The South County consists of Morgan Hill and Gilroy. The undeveloped area between south San Jose and Morgan Hill creates a natural buffer that makes it difficult for these two cities to share services to any great extent with the rest of the cities or other agencies in the County. Their adjacency and similarity in issues surrounding open space, environmental protection and agricultural lands allow these two agencies to share services in several areas, as more fully described below.

21.4.1 Morgan Hill

Morgan Hill is engaged in extensive shared services, particularly with Gilroy, for several key areas of municipal service delivery. The City is one of nine served by the County's library district. The City shares its SWAT and negotiation team services with Gilroy. In addition, Morgan Hill and Gilroy are partners in the operation of the South County Regional Wastewater Authority.

Recently, Morgan Hill and Gilroy provided joint funding for a shared position to ensure compliance with stormwater requirements. While both cities provide funding for the position, the shared environmental services manager is housed in the City of Morgan Hill.

Along with the cities of San Jose, Gilroy, the County of Santa Clara, the Santa Clara Valley Water District and Santa Clara VTA, Morgan Hill helped prepare the Santa Clara Valley Habitat Plan, which provides a long-term coordinated program for habitat restoration and conservation.

Morgan Hill partners with the YMCA of Santa Clara Valley for the operation of the Centennial Recreation Center and senior center.

The City would like to explore other opportunities for collaboration of shared services to address issues such as housing and transportation.

21.4.2 Gilroy

Gilroy is engaged in extensive shared services, particularly with Morgan Hill, for several key areas of municipal service delivery. The City is one of nine served by the County's library district. The City

obtains SWAT and negotiation team services from Morgan Hill. In addition, Gilroy and Morgan Hill are partners in the operation of the South County Regional Wastewater Authority.

Recently, Gilroy and Morgan Hill provided joint funding for a shared position to ensure compliance with stormwater requirements. While both cities provide funding for the position, the shared environmental services manager is housed in the City of Morgan Hill.

Along with the cities of San Jose, Morgan Hill, the County of Santa Clara, the Santa Clara Valley Water District and Santa Clara VTA, Gilroy helped prepare the Santa Clara Valley Habitat Plan, which provides a long-term coordinated program for habitat restoration and conservation.

Staff noted that the shared wastewater treatment plant runs with extra capacity, but significant capital improvements to repair, replace or upgrade portions of the plant are anticipated. The JPA is addressing these needs as they arise. The South County Regional Wastewater Authority JPA shares a stormwater manager position with Morgan Hill, housed in the Environmental Services Division.

Gilroy High School has a city-owned gymnasium on its campus, which the City is able to use in the evenings and during the summer. The City owns a second gymnasium and co-owns a new aquatics facility at Christopher High School. Gilroy does not have joint use of fields or other campus facilities with the schools due to security concerns.

21.5 Milpitas/Santa Clara/San Jose

Milpitas, Santa Clara and San Jose are combined into this final section. While Milpitas shares a border with San Jose, Milpitas in many regards confronts issues and shared services opportunities that reflect their adjacency to Fremont and other cities in Alameda County more so than their proximity to San Jose. Santa Clara and San Jose jointly operate a wastewater treatment facility, but otherwise provide or participate in shared services with a mix of other jurisdictions in the County. These are more fully described below.

21.5.1 Milpitas

Milpitas is geographically located in the northeastern-corner of the County that makes it more challenging to share services with other agencies in the County. While Milpitas desires to participate in shared services with other agencies in the County, the most ideal opportunity to share services would be with the City of Fremont, which is located in Alameda County. Accordingly, Milpitas is the provider for most services within the city, but is engaged in a few shared services opportunities in several key areas of municipal service delivery through the use of contracts and a JPA. Animal control services are provided through a contract with San Jose. Wastewater treatment is provided through a contract with the San Jose-Santa Clara Regional Wastewater Facility. Campbell and Milpitas are providing shared public safety dispatch services with one another through an agreement. The City is one of nine served by the County's library district.

City staff indicated in interviews that Milpitas could explore the possibility of combining training functions for fire operations with neighboring municipalities, including neighbors outside Santa Clara County (Milpitas is located on the Santa Clara County and Alameda County border). Through a long-standing agreement with the City of Fremont, a second alarm in Milpitas summons assistance from Fremont.

Another area identified for potential service sharing is in the building division, where Milpitas is having challenges due to recent increases in construction. However, given the increased development within the County, it is uncertain whether there is excess capacity in other agencies.

21.5.2 San Jose

Through the use of contract and partnership agreements, San Jose is engaged in a significant number of shared services arrangements in several areas of municipal service delivery. The City offers its animal control services to several jurisdictions in the County through contract agreements for service as identified above. San Jose co-owns and co-operates the wastewater treatment plant, San Jose-Santa Clara Regional Wastewater Facility, with the City of Santa Clara.

The City's library system partners with SJSU to offer a joint-use library facility that serves both SJSU students and San Jose residents at the Martin Luther King Junior Library in downtown San Jose. Nonprofit organizations lease 42 of the City's 54 community centers for no or low cost through the City's facility re-use program. Along with the cities of Gilroy and Morgan Hill, the County of Santa Clara, the Santa Clara Valley Water District and Santa Clara VTA, San Jose helped prepare the Santa Clara Valley Habitat Plan, which provides a long-term coordinated program for habitat restoration and conservation.

Although not a consideration within the Cities Service Review, San Jose noted an interest in the regionalization of fire services, and is exploring opportunities with the County and other local fire departments toward that end.

The City is creating a joint use agreement template with the local school districts as a means of further sharing its existing park infrastructure. This will reduce the need for additional parks space and will allow overall parks maintenance costs to be shared.

21.5.3 Santa Clara

Through the use of contract and partnership agreements, the City of Santa Clara is engaged in shared services in several areas of municipal service delivery. Santa Clara co-owns and co-operates the wastewater treatment plant, San Jose-Santa Clara Regional Wastewater Facility, with the City of San Jose. Santa Clara is engaged in a double badging program with Sunnyvale and Mountain View, whereby officers from the two agencies' police departments are paid as Santa Clara contract employees and provided badges indicating them as Santa Clara police officers during various events held at Levi's Stadium.

Santa Clara is exploring opportunities for sharing maintenance equipment with Cupertino and Campbell. Paramedic services are an area of growing concern in that the development of Levi's Stadium is placing pressure on the City's ability to meet paramedic needs during events held at the stadium. The City is exploring shared services models with neighboring fire departments to provide paramedic support similar to the double badging program for police officers mentioned above.

22 Focus Area: Sprawl Prevention/Infill Development

22.1 County Overview

22.1.1 History of Sprawl Prevention

Santa Clara County has been at the forefront of city and county planning in California, with the adoption of the Countywide Urban Development Policies in the early 1970s and the use of city USA boundaries. These ground-breaking policies were the result of a collaborative effort between the 15 cities, the County, and LAFCO. In the 1990s, the County and interested cities worked together to adopt urban growth boundaries (UGBs) for several cities, delineating areas intended for future urbanization. In the mid-1990s, the City of Gilroy, the County, and LAFCO developed an inter-jurisdictional agreement entitled “Strategies to Balance Planned Growth and Agricultural Viability.” As part of this agreement, the City of Gilroy would direct growth away from agricultural lands east of Highway 101 and establish a stable UGB.

While most of the cities have adopted strong efforts to limit their geographic expansion, they have also found ways to accommodate substantial residential growth. The City of Milpitas’s population increased by 43% between 1990 and 2015, with no increase in land area; the City of Sunnyvale’s population increased by 26% with a less than 5% increase in land area; and the City of Santa Clara by 29% with no increase in land area.

22.1.2 Agricultural Land Preservation

One of the benefits of limiting sprawl is the continued availability of farmland in close proximity to urbanized areas. Retaining local food sources is increasingly recognized for generating environmental, health, economic and community benefits. The preservation of agricultural lands and open space is a key mission of Santa Clara County LAFCO. Several collaborative efforts are underway relating directly or indirectly to maintaining viable agriculture in the County, including the development of the County’s Health Element; the work of the Santa Clara County Food System Alliance; the Coyote Valley: Sustaining Agriculture and Conservation, a feasibility study led by Sustainable Agriculture Education; and the *Santa Clara Valley Greenprint* recently issued by the Santa Clara County Open Space Authority. As a result of these joint efforts, the agricultural sector continues to generate over a quarter billion dollars in annual revenue to the County’s farmers and ranchers.

Despite these efforts, between 2002 and 2012 the amount of “Important Farmland” in Santa Clara County (Farmland that is Prime, Unique and of Local Importance) shrank 36.6 percent from 42,173 to 26,748 acres (as shown in Table 214). However, while there was a 15,424 acre reduction in the amount of Important Farmland, the amount of land in urban use increased by only 4,155 acres. During that same time period, there were virtually no expansions of city urban service areas. So the active conversion of land to urban use or the anticipation of urban use (resulting from USA expansion) is clearly not the main cause of Important Farmland loss. In fact, the farmland may not be “lost.” Because the definition of important farmland is land that is irrigated and being actively farmed, the “loss of farmland” may only be related to the discontinuation of active farming.

However, there is no information as to why farmland is being pulled from production. Research into why this loss occurred could lead to public policies that support farming, discourage conversion of land to other uses and assist in encouraging the re-establishment of farming on land that was actively farmed as recently as 10 years ago but is currently fallow or converted to grazing.

Table 214. Agricultural Land Inventory Acreage in 2002 and 2012

Agricultural Land Category	2002	2012
Prime Farmland	26,577	16,609
Farmland of Statewide Importance	5,932	3,565
Unique Farmland	2,325	2,573
Farmland of Local Importance	7,339	4,001
IMPORTANT FARMLAND SUBTOTAL	42,173	26,748
Grazing Land	388,696	393,624
AGRICULTURAL LAND SUBTOTAL	430,869	420,372
Urban and Built-up Land	185,131	189,286
Other Land	210,774	217,100
Water Area	8,452	8,467
TOTAL AREA INVENTORIED	835,226	835,225

Source: CA Department of Conservation, Farmland Mapping and Monitoring Program, Santa Clara County,

22.1.3 Defining Sprawl

There is no agreed-upon definition of “sprawl.” According to the American Planning Association, urban sprawl is characterized by low-density residential and commercial development at the urban fringe. Individual jurisdictions’ definitions of sprawl may vary, but common characteristics include premature conversion of rural land to urbanized uses, urbanized development that has poor connections to other land uses, and development that does not maximize existing public facilities, such as transit.

Sprawl is often contrasted with “smart growth,” which is generally defined as focusing moderate to higher density development near existing infrastructure, especially transit. Many parts of the country are promoting smart growth as a means of avoiding sprawl: accommodating the demand for more housing in existing infill areas rather than by expanding outward. There is evidence that demand is growing for housing near activity centers for both the elderly and young adults, consistent with smart-growth principles. The State Department of Finance projects that the number of people over the age of 65 in Santa Clara County will more than double from 198,800 to 431,800 between 2010 and 2030.

Sprawl, however it is defined, is associated with higher municipal costs due to the need to extend services and infrastructure to comparatively lower density areas, resulting in a higher cost per person to provide services and maintain them. These higher costs were documented in a seminal 1974 study entitled *The Costs of Sprawl* conducted by the Real Estate Research Corporation. Other studies have confirmed and reconfirmed that analysis, including a 2013 study by the Smart Growth Institute that compiled a number of studies from across the country (*Building Better Budgets*, Smart Growth America, May 2013) and compared the municipal costs associated with smart growth relative to standard suburban development. That study found smart growth cost, on

average, a third less for the initial provisions of infrastructure, 10% less to service, and provided 10 times more revenue.

22.1.4 Plan Bay Area/SB 375

In the Bay Area, smart growth has become regional policy with the adoption by the ABAG of Plan Bay Area in 2013. ABAG prepared Plan Bay Area to implement SB 375, a landmark state law that required California's regions to adopt plans and policies to reduce the generation of GHGs, primarily from transportation. Lower density, sprawling development is car-dependent, while higher densities allow for improved transit, bicycle, and pedestrian access and thereby reduce the amount of transportation-related greenhouse gases generated per new unit.

Plan Bay Area is based on municipalities throughout the Bay Area encouraging development in self-identified PDAs. Bay Area cities, counties and transportation agencies identified 169 PDAs, mostly well-served by transit and with significant opportunities for increased development. PDAs include historic downtowns, underutilized commercial strips such as El Camino Real, light-rail and bus rapid transit corridors, areas around BART stations, and former industrial areas that are no longer viable.

Based on the estimated reasonable development potential of all PDAs in the region, ABAG estimated that 80% of the Bay Area's growth over the next 25 years could be accommodated solely within the PDAs. It was only through this strategy of concentrating development in PDAs that ABAG could demonstrate conformance with requirements of SB 375 to meet GHG reduction targets.

The cities of Santa Clara County and the Santa Clara VTA have identified 41 planned and potential PDAs. Planned PDAs are those with adopted neighborhood level plans, while Potential PDAs meet the criteria for designation (e.g., transit-served) but for which there are not yet neighborhood level plans. As will be discussed in more detail below by sub-area of the County, 10 of the County's cities have at least one PDA, and several have more than one. An essential strategy to help ensure the success of the PDA model is for regional and state funding to flow to PDAs for planning and infrastructure improvements. When cities have completed area plans (and implemented zoning ordinances) and environmental impact assessments, this pre-development work can act as a significant incentive to new development by reducing the amount of time needed to process a project and by increasing the level of certainty for developers. Some infrastructure funding has also flowed to PDAs from the Metropolitan Transportation Commission and the Strategic Growth Council, thereby reducing the high costs of improving older urban infrastructure for municipalities and developers in these previously developed areas, and preparing the PDAs for new development. Between FY 2012 and FY 2016, the One Bay Area Grant program (MTC/ABAG) has given Santa Clara County jurisdictions \$89.27 M in support of Plan Bay Area goals. In its first three rounds of competitive grants, the Strategic Growth Council has given \$3.05 M to Santa Clara County jurisdictions in support of various sustainability initiatives.

22.1.5 Jobs/Housing Imbalance

Despite the significant strides being made in Santa Clara County to meet housing needs in an efficient manner, the interviews conducted for this Municipal Services Review, and a great deal of recent anecdotal evidence, points to a significant near-term housing issue for the County. The heart of Silicon Valley has for many years been a job-rich area with housing production not keeping pace with the need. This has led to long distance commutes and highly congested roads.

The pressure on jobs and transportation abated somewhat during the Great Recession, but Silicon Valley employment growth has bounced back sooner and with more vigor than housing production.

Interviews with staff in many cities suggest very rapid and large near-term increases in jobs in the job centers of Santa Clara, Mountain View, Campbell, Palo Alto, and Sunnyvale.

Recent studies have found rapidly rising rents and housing costs from San Jose to San Francisco. These housing cost pressures are rippling out from Silicon Valley (and San Francisco) throughout the Bay Area and beyond. While sprawl may be largely contained in most of Santa Clara County, the impacts of inadequate housing production can contribute to sprawl in other portions of Santa Clara County and in the other nearby counties with associated impacts on an already strained transportation network both in and outside the County.

According to ABAG projections, the existing imbalance between job growth and housing development in Santa Clara County is expected to continue. If development occurs at least at the level identified in the Housing Elements of Santa Clara County cities, the imbalance should not get worse, and may get slightly better over time. For many Santa Clara County cities, the proposed development in their PDAs, or encouraged in their Housing Elements, is at a higher density (and in many communities a much higher density) than the existing community. This is necessary if these largely built-out communities are going to continue to accept and promote employment growth while not significantly worsening the jobs/housing balance.

Because almost all of Santa Clara County cities have Housing Elements certified by the Department of Housing Community Development, they have demonstrated that they have sufficient land to accommodate their regional share of growth through 2022, consistent with ABAG projections. Those few cities that do not have certified elements have submitted their Elements for certification and have also demonstrated capacity to meet their regional fair-share obligations.

22.1.6 Sprawl and County Islands

One of LAFCO's goals is to encourage the annexation of unincorporated islands into municipalities. This is in part an important strategy for promoting more efficient provision of services. Many services for these scattered islands are provided by the County rather than the city that often surrounds it. In addition to more efficient service provision, in many areas of the state, a strategy of annexing islands is also a sprawl prevention measure. Throughout the state, there are areas where the Sphere of Influence includes substantial amounts of undeveloped land. It is one of LAFCO's goals to ensure that the land already identified within an SOI (or in Santa Clara County, the USA) is incorporated into the city and developed prior to the city expanding further out.

Through the work of Santa Clara County LAFCO, the County and the cities, many unincorporated islands have been absorbed into municipalities. While many islands remain, the vast majority of them are relatively small. Many of the larger remaining County islands are already developed. Annexing them into a city would not have a significant impact on the city's ability to meet development needs, however the fiscal impacts of such annexation would need to be addressed by the city to ensure the adequate provision of services and infrastructure. While annexing islands into cities may not make a significant near-term contribution to a city's ability to meet its expected growth needs, annexing islands into municipalities continues to be one of LAFCO's key missions, and it is LAFCO policy that cities annex all islands (and especially those under 150 acres where a simple annexation process can be used), prior to applying to expand a USA.

22.1.7 Smart Growth in Context

As mentioned above, sprawl is generally associated with lower densities in terms of residents per acre or square mile. While density is not a perfect measure of sprawl or smart growth, it is generally positively correlated with smart growth factors such as mixed use development,

transportation connectivity (sidewalks, paths and roads), employment centers mixed with housing and transport diversity (quality of walking, cycling and public transport). One reason for being concerned with sprawl is that it is generally seen as being more expensive to provide municipal services to areas of low density than more compact forms of development. According to the previously referenced report from Smart Growth America, infrastructure can cost 33% more in lower density development patterns and operating costs are 10% more.

A certain level of density is also usually required to support smart growth factors like public transportation. The amount of density required to create smart growth opportunities is not well defined but research has indicated it typically requires 8,000 to 10,000 people per square mile; much higher than associated with typical suburban living styles. (See for example Analysis of Public Policies That Unintentionally Encourage and Subsidize Urban Sprawl, March 2015 www.newclimateconomy.net.)

As Table 215 shows, generally speaking cities in Santa Clara County have moderate to low density levels, and they fall into two main categories. Campbell, Cupertino, Milpitas, Mountain View, Santa Clara, San Jose and Sunnyvale have moderately high population density. Palo Alto would also be on this list except for the open space the City has deliberately annexed to protect from development, which is now permanently protected as open space under conservation easements with the City and other public agencies. Gilroy, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill and Saratoga have markedly lower population density.

Table 215. Population Density by City

Jurisdiction	Population	City Square Miles	Residents per Square Mile
Campbell	41,857	6.09	6,873
Cupertino	59,756	11.32	5,279
Gilroy	53,000	16.56	3,200
Los Altos	30,036	6.52	4,607
Los Altos Hills	8,341	9.00	927
Los Gatos	30,505	11.39	2,678
Milpitas	72,606	13.56	5,354
Monte Sereno	3,451	1.61	2,143
Morgan Hill	41,779	12.91	3,236
Mountain View	77,914	12.20	6,386
Palo Alto	66,932	25.96	2,578
San Jose	1,016,479	180.67	5,626
Santa Clara	120,973	18.18	6,654
Saratoga	30,799	12.78	2,410
Sunnyvale	148,028	22.88	6,470

Source: DOF 2015 Population Estimates, LAFCO 2015 City Area Estimates.

While an analysis of the costs associated with different development patterns is not within the scope of this review, data on the number of lane miles per 1,000 residents were gathered. A lane mile is one mile of roadway that is designed as a driving lane. Lane miles can be a very rough proxy

for infrastructure costs. This information is shown in Table 216. Generally speaking those cities with lower density have more lane miles per resident.

Table 216. Lane Miles per 1,000 Residents by City

Jurisdiction	Population	Lane Miles ¹	Lane Miles per 1,000 Residents
Campbell	41,857	227	5.42
Cupertino	59,756	300	5.02
Gilroy	53,000	257	4.85
Los Altos	30,036	226	7.52
Los Altos Hills	8,341	115	13.79
Los Gatos	30,505	221	7.24
Milpitas	72,606	298	4.10
Monte Sereno	3,451	27	7.82
Morgan Hill	41,779	258	6.18
Mountain View	77,914	332	4.26
Palo Alto	66,932	470	7.02
San Jose	1,016,479	4,271	4.20
Santa Clara	120,973	590	4.88
Saratoga	30,799	283	9.19
Sunnyvale	148,028	638	4.31
Mean	120,164	568	4.72

Source: DOF 2015 Population Estimates, Data on lane miles is from the Metropolitan Transportation Commission.

¹ Center lane miles for each jurisdiction vary from these data. To the extent they were provided, the number of center lane miles can be found in the jurisdiction data profile sections of this report.

Table 217 shows key data points related to each city's employment, housing growth, and PDAs. The existence of planned or potential PDAs also appears to be positively correlated with population density. Since PDAs are associated with the development of smart growth strategies it does appear that the more densely populated cities are better positioned to implement smart growth practices than those cities with lower population densities.

Table 217. Overview of Employment, Housing and PDAs in Santa Clara County

City	Jobs/Housing Balance ¹	Regional Housing Needs Allocation 2014-2022	Planned Priority Development Areas	Potential Priority Development Areas
Campbell	1.35	933	1	-
Cupertino	1.08	1,064	0	1
Gilroy	0.84	1,088	1	1
Los Altos	1.28	477	1	-
Los Altos Hills	0.72	121	0	-
Los Gatos	1.82	619	0	-

City	Jobs/Housing Balance ¹	Regional Housing Needs Allocation 2014-2022	Planned Priority Development Areas	Potential Priority Development Areas
Milpitas	1.50	3,290	1	1
Monte Sereno	0.33	61	0	-
Morgan Hill	1.02	928	1	-
Mountain View	1.23	2,926	1	4
Palo Alto	3.02	1,988	1	-
San Jose	0.89	35,080	8	12
Santa Clara	2.08	4,093	2	1
Saratoga	0.85	439	0	-
Sunnyvale	1.07	5,452	4	1
Total			20 Planned PDAs	21 Potential PDAs

Sources: ABAG Job Projections, Plan Bay Area Priority Development Area Showcase, Final Regional Housing Need Allocation

¹Calculated using the ratio of jobs to employed residents based on ABAG estimates.

Sections 22.2 through 22.5 provide a summary of efforts to promote smart growth by jurisdiction. More detailed information about each city can be found in the city-specific chapters of this report.

22.2 North County

North County, as defined for this report, includes Los Altos, Los Altos Hills, Mountain View, Palo Alto, Santa Clara, and Sunnyvale. The Town of Los Altos Hills does not currently have any priority development areas, and is not proposing to identify any. Los Altos Hills is designed as a very low-density residential community with virtually no commercial uses and very few jobs. The City of Los Altos currently has a jobs/housing imbalance with 1.28 jobs for every resident. Los Altos is not well served by transit except along its northeastern boundary where it borders El Camino Real. Los Altos has a planned PDA along the El Camino Real Corridor for mixed use.

The other four cities in North County have adopted PDAs and are making efforts to accommodate higher density housing in appropriate locations that is the intent of Plan Bay Area. However, the North County cities also constitute much of the heart of Silicon Valley, and despite their efforts to accommodate substantial amounts of new housing, all are also proposing to accommodate substantial increases in jobs. For example, Palo Alto is projected to continue to add almost three new jobs for every new employed resident; and Santa Clara is expected to add two new jobs for every new resident. If Mountain View's projections are realized, it would have an even greater imbalance in future jobs and employed residents than either Palo Alto or Santa Clara.

22.2.1 Mountain View

Mountain View has five PDAs (one planned and four potential), which encompass the City's downtown and various transit corridors. These PDAs include hundreds of acres. Between January 1, 2014 and the adoption of the Housing Element in November 2014, the City had 2,056 housing units already approved or under construction. In other words, Mountain View had already approved as many units by end of 2014 as were expected to be constructed under ABAG's projections by 2020. The Housing Element further demonstrates capacity for an additional 3,000 units that would, if built, meet ABAG's projections for 2030.

While Mountain View is making very good progress toward expanding its infill housing supply, its own projections show it expects job growth to far outstrip even the large increase in housing it has approved or can accommodate. It expects jobs to increase by over 21,000, while its population increases by less than 6,500 through 2030. Such job growth, if realized, would significantly exacerbate the existing jobs/housing imbalance, which, according to ABAG, stood at 1.23 jobs for every employed resident.

22.2.2 Palo Alto

Palo Alto has established one planned PDA around its CalTrain Station at California Avenue. The City has received a grant and will begin preparing a plan for its PDA this year. Palo Alto has demonstrated the capacity to accommodate about 2,200 units, slightly more than its assigned regional share of 1,988. Palo Alto has also prepared its own projections for housing for use in its general plan update that is currently underway. Palo Alto's projections and ABAG's are not significantly different. Both projections indicate the highest imbalance in Santa Clara County for jobs and housing, with Palo Alto expected to gain about 3 jobs for every new employed resident. This imbalance does not include the significant job center at Stanford University just outside Palo Alto's boundaries under County jurisdiction.

22.2.3 Santa Clara

Santa Clara has two planned PDAs and one potential PDA. It has demonstrated in its Housing Element that it can accommodate 6,077 units, almost 2,000 units more than its assigned regional share of 4,093. The 6,077 units, if developed, would more than meet Santa Clara's projected growth through 2025. However, Santa Clara also has one of the greatest jobs/housing imbalances in the County, with just over two jobs for every employed resident. So while it is projected to add almost 5,000 units over the next 10 years, it is projected to also add almost 13,000 jobs, or about two jobs for every new employed resident.

22.2.4 Sunnyvale

Sunnyvale has four planned and one potential PDAs. Despite having almost no vacant land, its PDA strategy demonstrates a capacity in its Housing Element for 5,849 units, more than 400 units greater than its assigned regional share. Sunnyvale is one of the more balanced communities in Silicon Valley, with 1.07 jobs for every employed resident. Despite being projected to add almost 8,000 jobs in the next 10 years through its aggressive residential development efforts, Sunnyvale is projected to continue its balance of jobs and housing.

22.3 West Valley

The West Valley is comprised of Campbell, Cupertino, Los Gatos, Monte Sereno, and Saratoga. The West Valley cities of Monte Sereno and Saratoga do not currently have any Priority Development Areas, and did not indicate plans to create them. Saratoga has about .85 jobs for every employed resident and is expected to continue to export workers to other communities. Monte Sereno is a low-density, mostly residential community that exports almost three workers for every job within the community.

22.3.1 Campbell

Campbell has one planned priority development area of 195 acres served by three VTA light rail stations. Campbell has about 1.35 jobs for every employed resident and that imbalance is projected

to continue. It demonstrated in its Housing Element that it has more than sufficient capacity to meet its share of regional housing need, although as of May 2015 its Element had not yet been certified.

22.3.2 Cupertino

Cupertino has one potential PDA along Stevens Creek Boulevard identified by VTA. A bus rapid transit system is proposed for this corridor. Cupertino has close to a balance between jobs and employed residents, and that balance is projected to continue. Cupertino has a certified Housing Element demonstrating that it has more than sufficient capacity to accommodate its share of regional residential growth through 2022.

22.3.3 Los Gatos

Los Gatos has no PDAs and no plans at this time to establish a PDA. It has 1.82 jobs for every employed resident and that imbalance is projected to continue into the future. Los Gatos is served by bus transit but not rail or rapid bus.

22.4 San Jose/Milpitas

San Jose and Milpitas do not easily lend themselves to sub-regional analysis: San Jose because it is so much larger than any other Santa Clara County community; and Milpitas because it is in many regards geographically as much a part of the “East Bay” as the “South Bay.”

22.4.1 Milpitas

Milpitas has one planned PDA surrounding its future BART station (and its Town Center) and another PDA proposed by VTA along a light-rail line. Milpitas’s certified 2015-2023 Housing Element demonstrated that it had already approved the development of 5,870 units of above-moderate-income housing, and that it could accommodate 2,740 more units for very low-, low- and moderate-income households.

Perhaps because of its aggressive approach to meeting housing needs Milpitas is one of the few Santa Clara County cities projected to add considerably more housing units than jobs over the next ten years. The City’s current jobs/employed residents ratio of 1.5 is expected to shrink to 1.36 jobs/employed residents in 2025. This is still not balanced, but moving toward balance.

Milpitas’s voters adopted an initiative that significantly limited the potential for development in its eastern hills. That initiative sunsets in 2018 and the City has indicated it will be looking at its hill area in the next two years prior to the expiration of the initiative. Staff indicated they cannot say at this time where that study may lead in regard to changes in its USA.

22.4.2 San Jose

Perhaps more than any other city in Santa Clara County, San Jose has adopted an aggressive effort to increase the amount of infill housing through the PDA program. San Jose has 8 planned PDAs and 12 potential PDAs, almost half of all the PDAs in the County. Taking advantage of its extensive light rail network and the addition of BART, San Jose’s PDAs include underutilized commercial corridors served by light rail, older community commercial centers, and its downtown area. San Jose’s certified Housing Element demonstrates that it has the capacity to accommodate more than 35,000 housing units, slightly more than its assigned regional share, without any expansion of its USA.

San Jose had an estimated jobs/housing ratio of .89 jobs for every employed resident in 2015. Its projections for growth and ABAG's do not show that ratio changing very much over the next 25 years. However, as noted in the City's Housing Element (page III-4), a core objective of the City's general plan is for San Jose to achieve a jobs/housing ratio of 1.3 jobs for every employed resident. As also stated in the Housing Element:

if the County as a whole remains housing-poor and if the City seeks to attain the same status, housing costs in both the County and City of San Jose could be argued to increase significantly, thereby exacerbating existing affordability issues.

As there is no evidence that other Silicon Valley communities are planning a significant increase in their housing production relative to jobs, should San Jose succeed in its jobs-first goals, it would almost certainly contribute to sprawl both in and outside the region.

At the same time that San Jose has worked to increase the amount of housing within its existing urban area, the City's voters have adopted a strong Urban Growth Boundary (UGB) also called the Greenline, to limit its outward growth and protect its adjacent open space and farmland. The UGB is close to coincidental with the City's Urban Service Area. It would take a vote of the people to modify the UGB and the general plan indicates that it will not consider modifying its UGB (or USA) until at least 2040. While the UGB is a very strong sprawl prevention measure for San Jose, the City continues to refer to areas just outside its USA in Coyote Valley and Almaden Valley as "urban reserves," areas that will someday be subject to development. Portions of Coyote Valley are prime farmland and the "urban reserve" designation may have a discouraging impact on agricultural use if the "urban reserve" designation contributes to speculative property values and discourages investment in farms.

22.5 South County

The South County is comprised of the cities of Morgan Hill and Gilroy. Unlike much of the rest of the urbanized county (other than San Jose and Milpitas), Morgan Hill and Gilroy are not landlocked by other cities or open space preserves in the hills. Both cities are currently updating their general plans and considering development of contiguous land areas outside their current Urban Service Area boundaries. These preliminary plans to grow outside their current Urban Service Area are inconsistent with Plan Bay Area. In order to meet the state requirement to significantly reduce the growth in transportation related GHG, Plan Bay Area relies on a strategy of infill development within proposed PDAs. Its projections for growth are based on that strategy. Cities that seek to grow faster than projected by ABAG through a strategy of expanding their urbanized area are not consistent with the intent and policies of the adopted plan for the Bay Region. This is especially true for south Santa Clara County where expansion of the USA would lead to the loss of prime agricultural land that can provide food close-in to existing urban centers, another GHG reduction strategy.

22.5.1 Morgan Hill

Morgan Hill has one planned PDA in its downtown that will be a future transit town center. In total, the PDA includes 150 net acres and is accessible by CalTrain and VTA's bus and community shuttle services. According to ABAG projections, Morgan Hill currently is a balanced community of jobs and housing and is projected by ABAG to remain so. In its Housing Element, Morgan Hill indicated that it could accommodate 1,348 units, 450 more than its assigned regional share through 2022.

Since 1977 the City of Morgan Hill has had a voter-approved growth management system (RDGS -

Residential Development Control System) that establishes a population cap and a process for allotting a maximum number of residential units on an annual or biannual basis. As mentioned above, the City is preparing a comprehensive update of its general plan (Morgan Hill 2035) and reassessing its current population cap. A ballot measure is anticipated for the November 2016 election to update the RDCS, which would include increasing the population cap for the year 2035.

As part of the general plan update, the City has prepared its own population projections showing more rapid growth than ABAG's projections. While ABAG expects the community to grow by 1,910 units by 2030, the City's population projections imply it will grow by over 3,100 units. Morgan Hill has estimated that its "preferred" land use scenario for its general plan could accommodate 68,000 residents, far in excess of the 25-year projections in Plan Bay Area that show Morgan Hill growing to 50,800 by 2040. Morgan Hill's projections are inconsistent with Plan Bay Area. To accommodate this level of growth, Morgan Hill is expected to apply to modify its Urban Service Area. All of the scenarios being evaluated in the Morgan Hill general plan update would lead to applications to modify its USA and to the loss of prime agricultural land. The potential loss of prime agricultural land would be a consideration of LAFCO if approached to review and process a boundary modification. As stated earlier, LAFCO is mandated to preserve agricultural lands and open space.

According to data provided by the city in April 2013 in relation to an application to expand its USA, at that time Morgan Hill had sufficient vacant land to accommodate between 3,524 and 6,661 units, depending on how "vacant land" was defined. At the lowest end of that range, the City would have the capacity to accommodate the growth it has projected through 2030, and close to double the growth projected by ABAG.

22.5.2 Gilroy

Gilroy has one planned PDA and one potential PDA. The planned PDA for Downtown Gilroy encompasses 207 net acres and is designated as a future transit town center. The Downtown Specific Plan and Station Area Master Plan cover almost all of the PDA. Another PDA has been proposed by VTA for a portion of First Street. According to ABAG, Gilroy has .84 jobs for every employed resident. ABAG projects it will maintain close to that ratio through 2040.

Under Gilroy's residential growth projections (see below), and using ABAG's employment projections, Gilroy would be adding considerably more employed residents than jobs by 2040, increasing the commute from Gilroy to other areas. Gilroy's certified 2015-2023 Housing Element demonstrates it currently has sites and housing opportunities available within its USA to accommodate 4,525 units, 3,451 units in excess of its assigned regional share of 1,088 units.

As mentioned above, Gilroy is in the process of updating its general plan. It has prepared its own projections for growth that are in excess of ABAG's projections. While ABAG projects Gilroy to grow to 61,400 by 2040, the City's projections are for it to grow to between 69,000 and 79,000 people. ABAG expects the City to add 2,400 new housing units; the City's population projections imply that it intends to add between 4,300 and 7,300 units.

Gilroy's projections are inconsistent with Plan Bay Area. Gilroy's Housing Element indicates it has the capacity to accommodate the lower end of its own projected growth through 2040. All of the scenarios being evaluated in the Gilroy general plan update would lead to applications to modify its USA and to the loss of prime agricultural land. However, the principles established within Plan Bay Area call for growth to be accommodated through infill development to the fullest extent possible. The potential loss of prime agricultural land would be a consideration of LAFCO if approached to review and process a boundary modification. As stated earlier, LAFCO is mandated to preserve agricultural lands and open space.

Reference Documents

Attachment A – Service Level Statistics

Table 218. Summary of City of Campbell's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000 (FY 2014)	20.52
Animals handled at shelter per year (FY 2014)	312
Calls for service (FY 2014)	1,740
Law Enforcement	
Violent crimes	106
Property crimes	1,563
Violent crime clearance rate	45.3%
Property crime clearance rate	15.7%
Sworn personnel (FTE) per 1,000 population	1.03
Crimes per sworn FTE (violent and property) ¹	39.74
Violent crime rates per 1,000 population	1.03
Property crime rates per 1,000 population	2.61
Library	
Items circulated per capita	16.33
Public access computers per 1,000 population	0.62
Lighting	
Signalized intersections	45
Maintained traffic lights	48
Maintained street lights	2,800
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	2.14
Recreation centers per 20,000 residents	0.99
Miles of recreation trails maintained by the City	3
Solid Waste	
Residential waste diversion rate	Not provided
Total solid waste diversion rate	Not provided
Tons of waste disposed per capita	0.74
Pounds of solid waste per person per day – Population (2013)	4.1
Pounds of solid waste per person per day – Employees (2013)	7
Streets	
FY 2014 Pavement Condition Index PCI (City)	74
Bike lane miles (Class 1 and 2)	10.2

Major Service Function and Related Measures	Statistic
Stormwater	
Compliant with NPDES standards	Not provided
Percent of storm drainage inlets equipped with trash capture	2.4%
Miles of closed storm drain	52
Miles of open channel storm drain	0
Storm drain inlets	1,162
Capacity of stormwater drain, if available	Not provided
Stormwater recharge facilities	1
Stormwater detention basins	None
Provision for stormwater reclamation	Not provided
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	Not provided
Individual septic systems within jurisdiction	Not provided

¹ – Sworn personnel include only those sworn officers assigned to police services.

Source: Adopted budget, interviews and data provided by City staff.

Table 219. Summary of City of Cupertino's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000 (CY 2014)	17.91
Animals handled at shelter per year (CY 2014)	242
Calls for service (CY 2014)	662
Law Enforcement	
Violent crimes	23
Property crimes	979
Violent crime clearance rate	65%
Property crime clearance rate	23%
Sworn personnel (FTE) per 1,000 population	1.44
Crimes per sworn FTE (violent and property)	11.52
Violent crime rates per 1,000 population	0.68
Property crime rates per 1,000 population	13.49
Library	
Items circulated per capita	42.71
Public access computers per 1,000 population	0.98
Lighting	
Signalized intersections	56
Maintained traffic signals	56
Maintained street lights	2,950
Recreation and Community Services	
Park acres per 1,000 population (all agencies in city)	3.12
Recreation centers per 20,000 residents	.66
Miles of recreation trails maintained by the City	2
Solid Waste	
Residential waste diversion rate (2013)	62%
Total solid waste diversion rate (2013)	66% commercial 62% residential
Tons of waste disposed per capita (2013)	0.59
Pounds of solid waste per person per day – Population (2013)	3.3
Pounds of solid waste per person per day – Employees (2013)	5.5
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	66
Bike lane miles (Class 1 and Class 2)	~42

Major Service Function and Related Measures	Statistic
Stormwater	
Compliant with NPDES standards	Yes
Percent of storm drainage inlets equipped with trash capture	5%
Miles of closed storm drain	~120 miles
Miles of open channel storm drain	< 1 mile
Storm drain inlets	2216
Capacity of stormwater drain, if available	Not provided ¹
Stormwater recharge facilities	None
Stormwater detention basins	None
Provision for stormwater reclamation	Yes
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	1.7
Individual septic systems within jurisdiction	Approx. 50

Source: Adopted budget, interviews and data provided by City staff.

¹ City reports that the design is intended to accommodate a ten-year storm

Table 220. Summary of City of Gilroy's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000	36.58
Animals handled at shelter per year	411
Law Enforcement	
Violent crimes	180
Property crimes	1,740
Violent crime clearance rate	50.6%
Property crime clearance rate	19.8%
Sworn personnel (FTE) per 1,000 population	1.13
Crimes per sworn FTE (violent and property)	32
Violent crime rates per 1,000 population	3.39
Property crime rates per 1,000 population	32.8
Library	
Items circulated per capita	11.6
Public access computers per 1,000 population	0.84
Lighting	
Signalized intersections	50
Maintained traffic lights	43
Maintained street lights	4,150
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	2.83
Recreation centers per 20,000 residents	1.13
Miles of recreation trails maintained by the City	6.15
Solid Waste	
Residential waste diversion rate	Not provided
Total solid waste diversion rate	Not provided
Tons of waste disposed per capita	0.82
Pounds of solid waste per person per day – Population (2013)	4.5
Pounds of solid waste per person per day – Employees (2013)	13.5
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	68
Bike lane miles (Class 1 and Class 2)	38.5
Stormwater	
Compliant with NPDES standards	Yes
Percent of storm drainage inlets equipped with trash capture	Approx. 1%

Major Service Function and Related Measures	Statistic
Miles of closed storm drain	96
Miles of open channel storm drain	11 miles
Storm drain inlets	3,300
Capacity of stormwater drain, if available	10 year storm event system
Stormwater recharge facilities	None
Stormwater detention basins	None
Provision for stormwater reclamation	None
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	0
Individual septic systems within jurisdiction	Unknown

Source: Adopted budget, interviews and data provided by City staff.

Table 221. Summary of City of Los Altos's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000	34.6
Animals handled at shelter per year	481
Law Enforcement	
Violent crimes	23
Property crimes	358
Violent crime clearance rate	52%
Property crime clearance rate	17%
Sworn personnel (FTE) per 1,000 population	1.01
Crimes per sworn FTE (violent and property)	12.7
Violent crime rates per 1,000 population	0.78
Property crime rates per 1,000 population	12.14
Library	
Items circulated per capita (print or print + digital)	46.97
Public access computers per 1,000 population	0.92
Lighting	
Signalized intersections	16
Maintained traffic lights	13
Maintained street lights	8
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	1.29
Recreation centers per 20,000 residents (community, senior, teen)	2.03
Miles of recreation trails maintained by the City	1.3
Solid Waste	
Residential waste diversion rate	80.38%
Total solid waste diversion rate	70.37%
Tons of waste disposed per capita	0.48
Pounds of solid waste per person per day – Population (2013)	2.6
Pounds of solid waste per person per day – Employees (2013)	8.5
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	78
Bike lane miles (Class 1 and Class 2)	Approx. 12
Stormwater	
Compliant with NPDES standards	In compliance

Major Service Function and Related Measures	Statistic
Percent of storm drainage inlets equipped with trash capture	<1%
Miles of closed storm drain	58
Miles of open channel storm drain	6.3
Storm drain inlets	1,358
Capacity of stormwater drain, if available	N/A ¹
Stormwater recharge facilities	None
Stormwater detention basins	None
Provision for stormwater reclamation	None
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	2,190
Individual septic systems within jurisdiction	Not provided

Source: Adopted budget, interviews and data provided by City staff.

¹ City reports that this is not applicable due to multiple watersheds

Table 222. Summary of Town of Los Altos Hills's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000	142
Animals handled at shelter per year	111
Law Enforcement	
Violent crimes	2
Property crimes	83
Violent crime clearance rate	50.0%
Property crime clearance rate	18.1%
Sworn personnel (FTE) per 1,000 population	N/A
Crimes per sworn FTE (violent and property)	N/A
Violent crime rates per 1,000 population	0.25
Property crime rates per 1,000 population	10.38
Library¹	
Items circulated per capita	N/A
Public access computers per 1,000 population	N/A
Lighting	
Signalized intersections	1
Maintained traffic lights	3
Maintained street lights	6
Parks and Recreation	
Park acres per 1,000 population (all agencies in town)	3.25
Recreation centers per 20,000 residents	0
Miles of recreation trails maintained by the Town	85
Solid Waste	
Residential waste diversion rate	99%
Total solid waste diversion rate	95%
Tons of waste disposed per capita	0.19
Pounds of solid waste per person per day – Population (2013)	1
Pounds of solid waste per person per day – Employees (2013)	3.9
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	77
Bike lane miles (Class 1 and Class 2)	< 1
Stormwater	
Compliant with NPDES standards	In compliance
Percent of storm drainage inlets equipped with trash capture	N/A

Major Service Function and Related Measures	Statistic
Miles of closed storm drain	20
Miles of open channel storm drain	0
Storm drain inlets	500
Capacity of stormwater drain, if available	N/A
Stormwater recharge facilities	None
Stormwater detention basins	2
Provision for stormwater reclamation	Yes, Retention/Detention
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	2,892
Individual septic systems within jurisdiction	1,200

Source: Adopted budget, interviews and data provided by Town staff.

¹ Los Altos Hills is served by the Los Altos branch of the Santa Clara County library system.

Disaggregated circulation and public access computer data are not available for Los Altos Hills.

Table 223. Summary of Town of Los Gatos's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000 (CY 2014)	29.56
Animals handled at shelter per year (CY 2014)	302
Calls for service (CY 2014)	728
Law Enforcement	
Violent crimes	25
Property crimes	551
Violent crime clearance rate	44.0%
Property crime clearance rate	7.8%
Sworn personnel (FTE) per 1,000 population	1.28
Crimes per sworn FTE (violent and property)	15.16
Violent crime rates per 1,000 population	0.84
Property crime rates per 1,000 population	18.55
Library	
Items circulated per capita	12.63
Public access computers per 1,000 population	1.41
Lighting	
Signalized intersections	29
Maintained traffic lights	29
Maintained street lights	2,116
Parks and Recreation	
Park acres per 1,000 population (all agencies in Town)	11.81
Recreation centers per 20,000 residents	0
Miles of recreation trails maintained by the Town	15
Solid Waste	
Residential waste diversion rate	Not provided
Total solid waste diversion rate	Not provided
Tons of waste disposed per capita	0.75
Pounds of solid waste per person per day – Population (2013)	4
Pounds of solid waste per person per day – Employees (2013)	8.1
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	70
Bike lane miles (Class 1 and Class 2)	Not provided
Stormwater	
Compliant with NPDES standards	Yes

Major Service Function and Related Measures	Statistic
Percent of storm drainage inlets equipped with trash capture	Not provided
Miles of closed storm drain	52
Miles of open channel storm drain	Not provided
Storm drain inlets	Not provided
Capacity of stormwater drain, if available	Not provided
Stormwater recharge facilities	Not provided
Stormwater detention basins	Not provided
Provision for stormwater reclamation	Not provided
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	Not provided
Individual septic systems within jurisdiction	Not provided

Source: Adopted budget, interviews and data provided by Town staff.

Table 224. Summary of City of Milpitas's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000 (CY 2014)	20.62
Animals handled at shelter per year (CY 2014)	771
Calls for service (CY 2014)	1,321
Law Enforcement	
Violent crimes	93
Property crimes	2,067
Violent crime clearance rate	44.1%
Property crime clearance rate	19.6%
Sworn personnel (FTE) per 1,000 population	1.14
Crimes per sworn FTE (violent and property)	26.0
Violent crime rates per 1,000 population	1.28
Property crime rates per 1,000 population	28.5
Library	
Items circulated per capita	24.7
Public access computers per 1,000 population	0.83
Lighting	
Signalized intersections	72
Maintained traffic lights	72
Maintained street lights	4,500
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	2.48
Recreation centers per 20,000 residents	0.82
Miles of recreation trails maintained by the City	5.4
Solid Waste	
Residential waste diversion rate	79%
Total solid waste diversion rate	Residential: 79% Business: 85%
Tons of waste disposed per capita	0.86
Pounds of solid waste per person per day – Population (2013)	5
Pounds of solid waste per person per day – Employees (2013)	8.2
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	69

Major Service Function and Related Measures	Statistic
Bike lane miles (Class 1 and Class 2)	Less than 4
Stormwater	
Compliant with NPDES standards	Yes
Percent of storm drainage inlets equipped with trash capture	N/A ¹
Miles of closed storm drain	110 miles
Miles of open channel storm drain	4 miles
Storm drain inlets	3,044
Capacity of stormwater drain, if available	0-10 year storm
Stormwater recharge facilities	Not provided
Stormwater detention basins	4
Provision for stormwater reclamation	Not provided
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	Not provided
Individual septic systems within jurisdiction	Not provided

Source: Adopted budget, interviews and data provided by City staff.

¹ The City does not have trash capture at each inlet, but has installed a trash capture device at Wrigley Ford Pump Station, that serves 634 acres.

Table 225. Summary of City of Monte Sereno's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000 (FY 2014)	17.95
Animals handled at shelter per year (FY 2014)	23
Calls for service (FY 2014)	200
Law Enforcement	
Violent crimes	1
Property crimes	33
Violent crime clearance rate	0.0%
Property crime clearance rate	0.0%
Sworn personnel (FTE) per 1,000 population	7.37
Crimes per sworn FTE (violent and property)	1.21
Violent crime rates per 1,000 population	0.29
Property crime rates per 1,000 population	9.56
Library	
Items circulated per capita	N/A
Public access computers per 1,000 population	N/A
Lighting	
Signalized intersections	1
Maintained traffic lights	2
Maintained street lights	0
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	0
Recreation centers per 20,000 residents	0
Miles of recreation trails maintained by the City	0
Solid Waste	
Residential waste diversion rate	63.2%
Total solid waste diversion rate	63.2%
Tons of waste disposed per capita	0.37
Pounds of solid waste per person per day – Population (2013)	2.1
Pounds of solid waste per person per day – Employees (2013)	23.5
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	68
Bike lane miles (Class 1 and Class 2)	3
Stormwater	
Compliant with NPDES standards	Yes

Major Service Function and Related Measures	Statistic
Percent of storm drainage inlets equipped with trash capture	4
Miles of closed storm drain	7.3
Miles of open channel storm drain	Not available
Storm drain inlets	163
Capacity of stormwater drain, if available	Not Available
Stormwater recharge facilities	None
Stormwater detention basins	None
Provision for stormwater reclamation	None
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	No overflows reported
Individual septic systems within jurisdiction	60 unconnected parcels

Source: Adopted budget, interviews and data provided by City staff.

Table 226. Summary of City of Morgan Hill's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000	Not provided
Animals handled at shelter per year	Not provided
Law Enforcement	
Violent crimes	63
Property crimes	676
Violent crime clearance rate	73%
Property crime clearance rate	14.6%
Sworn personnel (FTE) per 1,000 population	0.90
Crimes per sworn FTE (violent and property)	20.53
Violent crime rates per 1,000 population	1.58
Property crime rates per 1,000 population	16.94
Library	
Items circulated per capita	19.69
Public access computers per 1,000 population	.70
Lighting	
Signalized intersections	47
Maintained traffic lights	47
Maintained street lights	3,649
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	11.78
Recreation centers per 20,000 residents	2.01
Miles of recreation trails maintained by the City	8
Solid Waste	
Residential waste diversion rate	Not provided
Total solid waste diversion rate	Not provided
Tons of waste disposed per capita	0.54
Pounds of solid waste per person per day – Population (2013)	5.3
Pounds of solid waste per person per day – Employees (2013)	15.1
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	70
Bike lane miles (Class 1 and 2)	Class 1: Not provided Class 2: 37 miles

Major Service Function and Related Measures	Statistic
Stormwater	
Compliant with NPDES standards	Yes
Percent of storm drainage inlets equipped with trash capture	<2%
Miles of closed storm drain	96 miles
Miles of open channel storm drain	Not provided
Storm drain inlets	Not provided
Capacity of stormwater drain, if available	Not provided
Stormwater recharge facilities	Not provided
Stormwater detention basins	Not provided
Provision for stormwater reclamation	Not provided
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	Not provided
Individual septic systems within jurisdiction	Not provided

Source: Adopted budget, interviews and data provided by City staff.

Table 227. Summary of City of Mountain View's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000 (FY 2014)	15.01
Animals handled at shelter per year (FY 2014)	401
Calls for service (FY 2014)	2,304
Law Enforcement	
Violent crimes	157
Property crimes	1,706
Violent crime clearance rate	59.2%
Property crime clearance rate	19.1%
Sworn personnel (FTE) per 1,000 population	1.23
Crimes per sworn FTE (violent and property)	19.41
Violent crime rates per 1,000 population	2.01
Property crime rates per 1,000 population	21.87
Library	
Items circulated per capita	21.6
Public access computers per 1,000 population	.63
Lighting	
Signalized intersections	124
Maintained traffic lights	85
Maintained street lights	4,177
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	12.41
Recreation centers per 20,000 residents	.77
Miles of recreation trails maintained by the City	9.35
Solid Waste	
Residential waste diversion rate	N/A
Total solid waste diversion rate	60%
Tons of waste disposed per capita	0.54
Pounds of solid waste per person per day – Population (2013)	3.7
Pounds of solid waste per person per day – Employees (2013)	3.8
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	70
Bike lane miles (Class 1 and 2)	41.5 ¹
Stormwater	
Compliant with NPDES standards	Yes

Major Service Function and Related Measures	Statistic
Percent of storm drainage inlets equipped with trash capture	6%
Miles of closed storm drain	115
Miles of open channel storm drain	.4
Storm drain inlets	2,836
Capacity of stormwater drain, if available	Not provided
Stormwater recharge facilities	None
Stormwater detention basins	2
Provision for stormwater reclamation	None
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	N/A
Gallons of annual sewer overflow per 100 miles of pipe	901
Individual septic systems within jurisdiction	Not provided ²

Source: Adopted budget, interviews and data provided by City staff.

¹ In addition, the City has 5.9 miles of designated Bicycle Boulevards.

² City reports that this data is not tracked, but that the jurisdiction is fully served by sanitary sewer.

Table 228. Summary of City of Palo Alto's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000	64.1
Animals handled at shelter per year	1,845
Law Enforcement	
Violent crimes	54
Property crimes	1,483
Violent crime clearance rate	61.1%
Property crime clearance rate	9.0%
Sworn personnel (FTE) per 1,000 population	1.36
Crimes per sworn FTE (violent and property)	16.7
Violent crime rates per 1,000 population	0.80
Property crime rates per 1,000 population	22.00
Library	
Items circulated per capita	4.48
Public access computers per 1,000 population	1.93
Lighting	
Signalized intersections	101
Maintained traffic lights	101
Maintained street lights	6,500
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	2.3
Recreation centers per 20,000 residents	1.48
Miles of recreation trails maintained by the City	40
Solid Waste	
Residential waste diversion rate	78%
Total solid waste diversion rate	78%
Tons of waste disposed per capita	0.70
Pounds of solid waste per person per day – Population (2013)	3.9
Pounds of solid waste per person per day – Employees (2013)	2.9
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	77
Bike lane miles (Class 1 and Class 2)	48.5 ¹
Stormwater	

Major Service Function and Related Measures	Statistic
Compliant with NPDES standards	Yes
Percent of storm drainage inlets equipped with trash capture	Not provided
Miles of closed storm drain	107
Miles of open channel storm drain	N/A
Storm drain inlets	2,750
Capacity of stormwater drain, if available	Design standard: Capacity for a 10-year storm
Stormwater recharge facilities	None
Stormwater detention basins	None
Provision for stormwater reclamation	Financial rebates for rain barrels/cisterns
Utilities	
System average interruption frequency index	0.12
System average interruption duration index	40.48
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	Not provided
Individual septic systems within jurisdiction	Not provided

*Source: Adopted budget, interviews and data provided by City staff.
¹In addition, the City of Palo Alto has 4.2 miles of designated Bicycle Boulevards.*

Table 229. Summary of City of San Jose's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000 (CY 2014)	48.63
Animals handled at shelter per year (CY 2014)	15,849
Calls for service (CY 2014)	20,749
Law Enforcement	
Violent crimes	3,215
Property crimes	25,510
Violent crime clearance rate	35.9%
Property crime clearance rate	10.9%
Sworn personnel (FTE) per 1,000 population	1.10
Crimes per sworn FTE (violent and property)	25.95
Violent crime rates per 1,000 population	3.20
Property crime rates per 1,000 population	25.40
Library	
Items circulated per capita	11.49
Public access computers per 1,000 population	1.09
Lighting	
Signalized intersections	923
Maintained traffic lights	933
Maintained street lights	63,500
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	16.39
Recreation centers per 20,000 residents	1.08
Miles of recreation trails maintained by the City	55.73
Solid Waste	
Residential waste diversion rate	60%
Total solid waste diversion rate	73%
Tons of waste disposed per capita	0.50
Pounds of solid waste per person per day – Population (2013)	2.8
Pounds of solid waste per person per day – Employees (2013)	7.8
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	62
Bike lane miles (Class 1 and Class 2)	285
Stormwater	
Compliant with NPDES standards	Yes

Major Service Function and Related Measures	Statistic
Percent of storm drainage inlets equipped with trash capture	3.24 ¹
Miles of closed storm drain	1,130
Miles of open channel storm drain	71.8
Storm drain inlets	34,720
Capacity of stormwater drain, if available	n/a ²
Stormwater recharge facilities	None
Stormwater detention basins	5
Provision for stormwater reclamation	Not provided
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	3,365 ³
Individual septic systems within jurisdiction	Not provided

Source: Adopted budget, interviews and data provided by City staff.

¹ Of the over 34,000 total storm drain inlets, less than 11,000 are located in areas impacted by trash at a level that may be deemed necessary for full trash capture treatment. Approximately 1,000 inlets in those subject trash-impacted areas are currently “equipped with trash capture,” resulting in approximately 9% coverage.

² Majority of the existing storm drain system provides the capacity for a three-year storm event.

³ Figure is from 2014.

Table 230. Summary of City of Santa Clara's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000 (FY 2014)	16.79
Animals handled at shelter per year (FY 2014)	1,111
Calls for service (FY 2014)	4,078
Law Enforcement	
Violent crimes	172
Property crimes	3,023
Violent crime clearance rate	40.7%
Property crime clearance rate	11.7%
Sworn personnel (FTE) per 1,000 population	1.17
Crimes per sworn FTE (violent and property)	21.29
Violent crime rates per 1,000 population	1.40
Property crime rates per 1,000 population	24.68
Library	
Items circulated per capita	18.46
Public access computers per 1,000 population	0.78
Lighting	
Signalized intersections	196
Maintained traffic lights	130
Maintained street lights	8,054
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	2.23
Recreation centers per 20,000 residents	0.49
Miles of recreation trails maintained by the City	9.3
Solid Waste	
Residential waste diversion rate	63%
Total solid waste diversion rate	66%
Tons of waste disposed per capita	0.98
Pounds of solid waste per person per day – Population (2013)	5.5
Pounds of solid waste per person per day – Employees (2013)	6
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	75
Bike lane miles (Class 1 and Class 2)	Class 1: 12 miles

Major Service Function and Related Measures	Statistic
	Class 2: Not provided
Stormwater	
Compliant with NPDES standards	Yes
Percent of storm drainage inlets equipped with trash capture	10%
Miles of closed storm drain	195
Miles of open channel storm drain	1
Storm drain inlets	4,300
Capacity of stormwater drain, if available	Not provided ¹
Stormwater recharge facilities	None
Stormwater detention basins	2
Provision for stormwater reclamation	None
Utilities	
System average interruption frequency index	0.497 interruptions per customer
System average interruption duration index	52.89 minutes
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	950
Individual septic systems within jurisdiction	Not provided ²

Source: Adopted budget, interviews and data provided by City staff.

¹ City reports that it maintains 140 miles of storm drain pipes

² City reports that this figure is likely kept at the County level

Table 231. Summary of City of Saratoga's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000 (CY 2014)	29.27
Animals handled at shelter per year (CY 2014)	129
Calls for service (CY 2014)	485
Law Enforcement	
Violent crimes	3
Property crimes	276
Violent crime clearance rate	64.3%
Property crime clearance rate	16.7%
Sworn personnel (FTE) per 1,000 population	0.5
Crimes per sworn FTE (violent and property)	3.1
Violent crime rates per 1,000 population	0.3
Property crime rates per 1,000 population	1.2
Library	
Items circulated per capita	39.9
Public access computers per 1,000 population	0.9
Lighting	
Signalized intersections	15
Maintained traffic lights	57
Maintained street lights	101
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	2.8
Recreation centers per 20,000 residents	2.0
Miles of recreation trails maintained by the City	11
Solid Waste	
Residential waste diversion rate	63%
Total solid waste diversion rate	58%
Tons of waste disposed per capita	0.54
Pounds of solid waste per person per day – Population (2013)	2.9
Pounds of solid waste per person per day – Employees (2013)	11.7
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	72
Bike lane miles	Not provided

Major Service Function and Related Measures	Statistic
Stormwater	
Compliant with NPDES standards	Yes
Percent of storm drainage inlets equipped with trash capture	Not provided ¹
Miles of closed storm drain	45 miles
Miles of open channel storm drain	<1 mile
Storm drain inlets	Approx. 2,000
Capacity of stormwater drain, if available	Not provided
Stormwater recharge facilities	None
Stormwater detention basins	None
Provision for stormwater reclamation	None
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	1.7
Individual septic systems within jurisdiction	Not provided

Source: Adopted budget, interviews and data provided by City staff.

¹As part of the City's Long Term Trash Capture program, in the FY 2014-15 budget the City has allocated \$30,000 to install 15 storm drain trash capture devices.

Table 232. Summary of City of Sunnyvale's Service Level Statistics

Major Service Function and Related Measures	Statistic
Animal Control	
Dog licenses issued per 1,000	2,771 ¹
Animals handled at shelter per year	1,588
Law Enforcement	
Violent crimes	144
Property crimes	2,434
Violent crime clearance rate	62.5%
Property crime clearance rate	10.4%
Sworn personnel (FTE) per 1,000 population	0.57
Crimes per sworn FTE (violent and property)	30.69
Violent crime rates per 1,000 population	0.97
Property crime rates per 1,000 population	16.40
Library	
Items circulated per capita	18.27
Public access computers per 1,000 population	0.37
Lighting	
Signalized intersections	129
Maintained traffic lights	129
Maintained street lights	9,316
Parks and Recreation	
Park acres per 1,000 population (all agencies in city)	2.22
Recreation centers per 20,000 residents	0.40
Miles of recreation trails maintained by the City	13.4
Solid Waste	
Residential waste diversion rate	Not provided
Total solid waste diversion rate	65%
Tons of waste disposed per capita	0.63
Pounds of solid waste per person per day – Population (2013)	3.5
Pounds of solid waste per person per day – Employees (2013)	6.3
Streets	
FY 2014 Pavement condition index (PCI) (ABAG)	76
Bike lane miles (Class 1 and Class 2)	84
Stormwater	
Compliant with NPDES standards	Yes
Percent of storm drainage inlets equipped with trash capture	13.4%

Major Service Function and Related Measures	Statistic
Miles of closed storm drain	245
Miles of open channel storm drain	12.2
Storm drain inlets	4,200
Capacity of stormwater drain, if available	N/A ²
Stormwater recharge facilities	None
Stormwater detention basins	None
Provision for stormwater reclamation	None
Utilities	
System average interruption frequency index	N/A
System average interruption duration index	N/A
Wastewater	
Gallons of annual sewer overflow per 100 miles of pipe	1,103
Individual septic systems within jurisdiction	Not provided

Source: Adopted budget, interviews and data provided by City staff.

¹ Includes all animals (cats and dogs) annually.

²City notes that an upcoming Wastewater Master Plan may provide additional information