

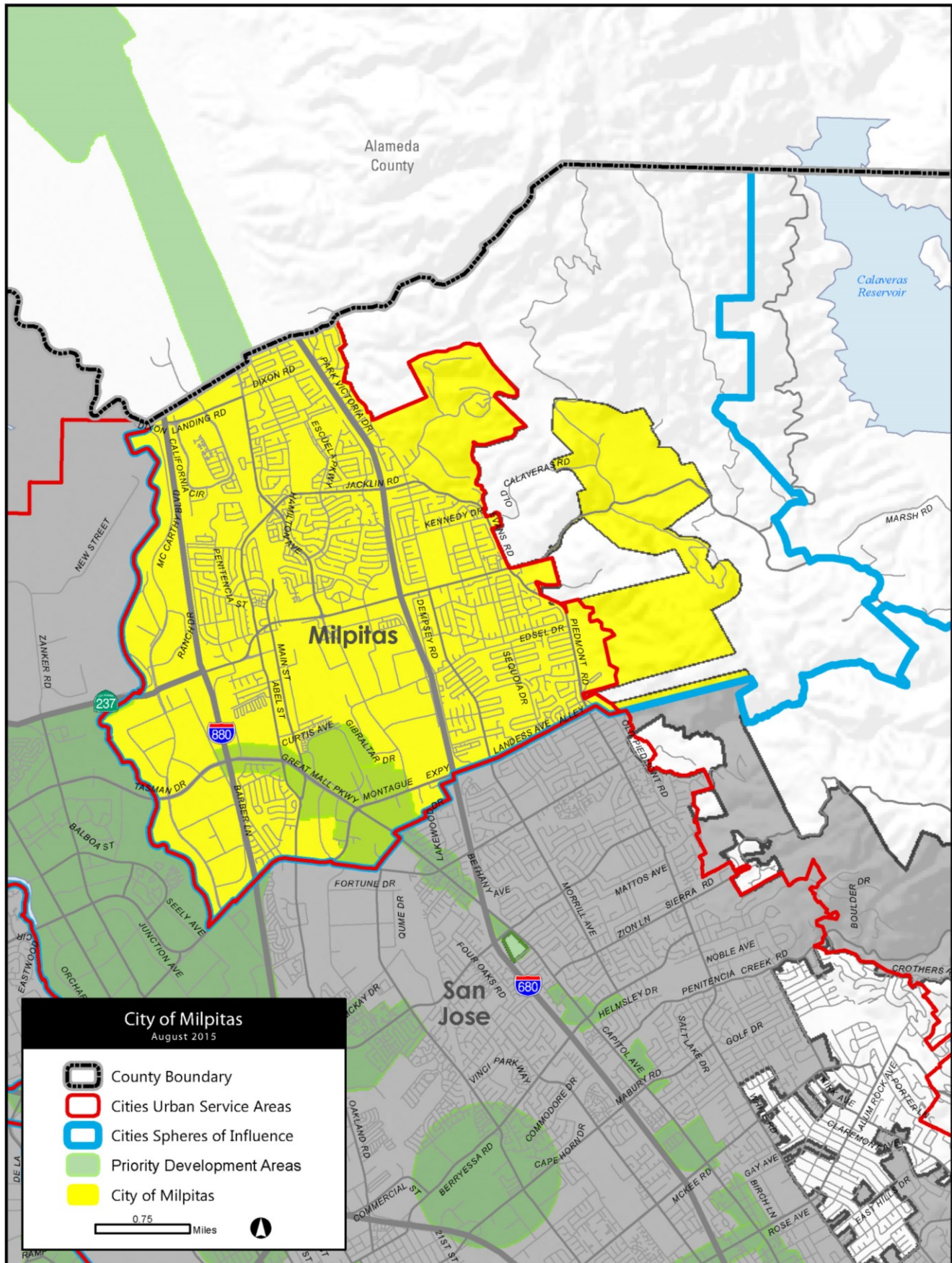
9 City of Milpitas



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

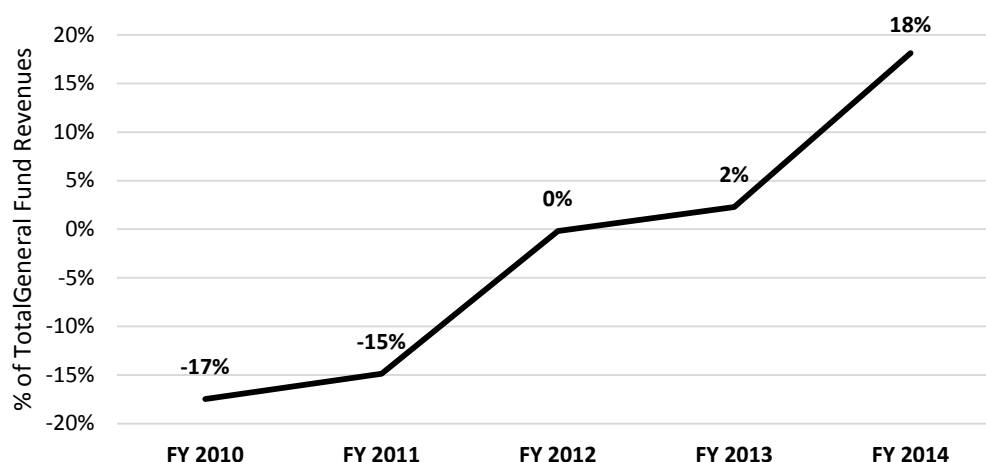
Source: CAFR

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.