

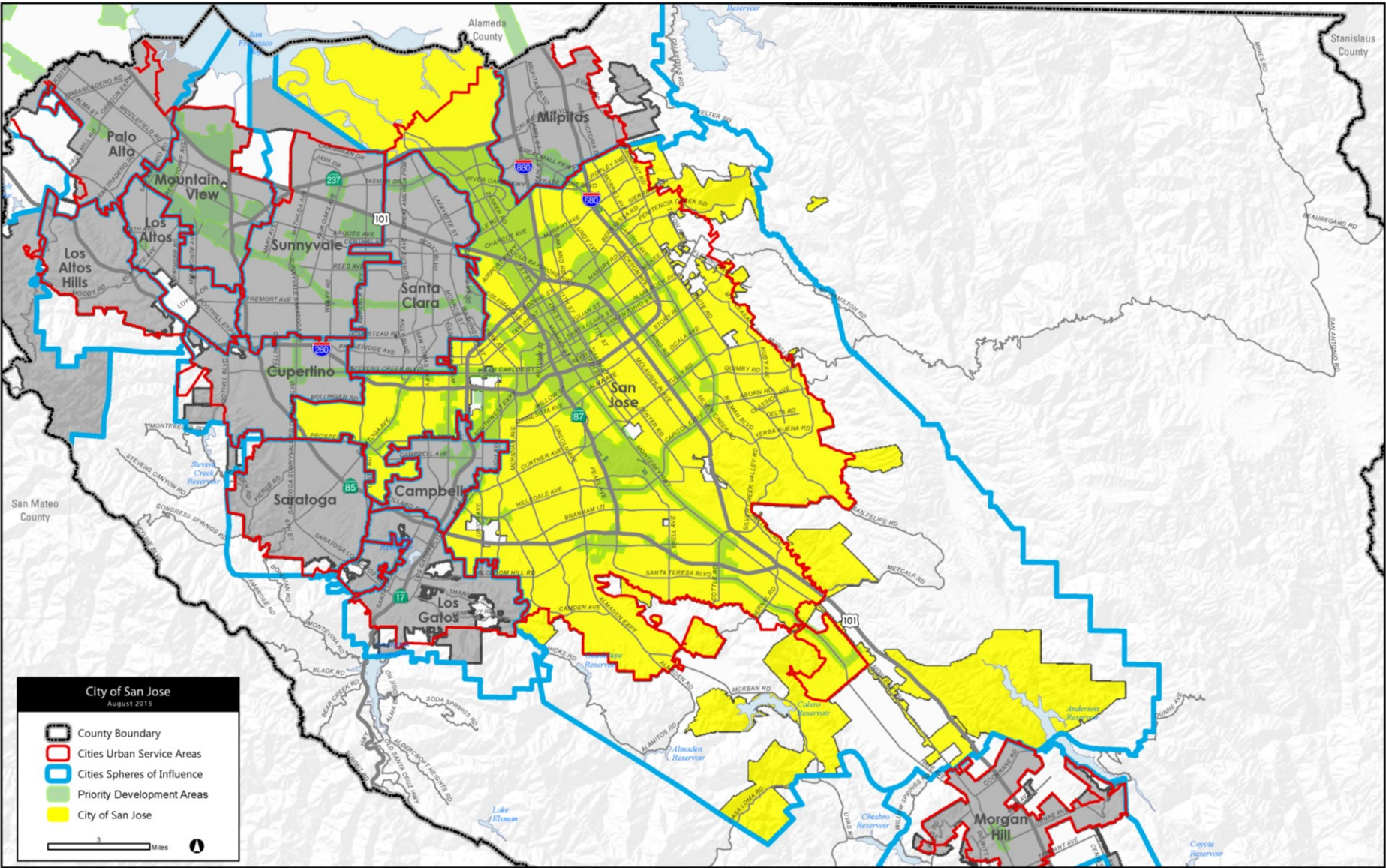
14 City of San Jose



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)

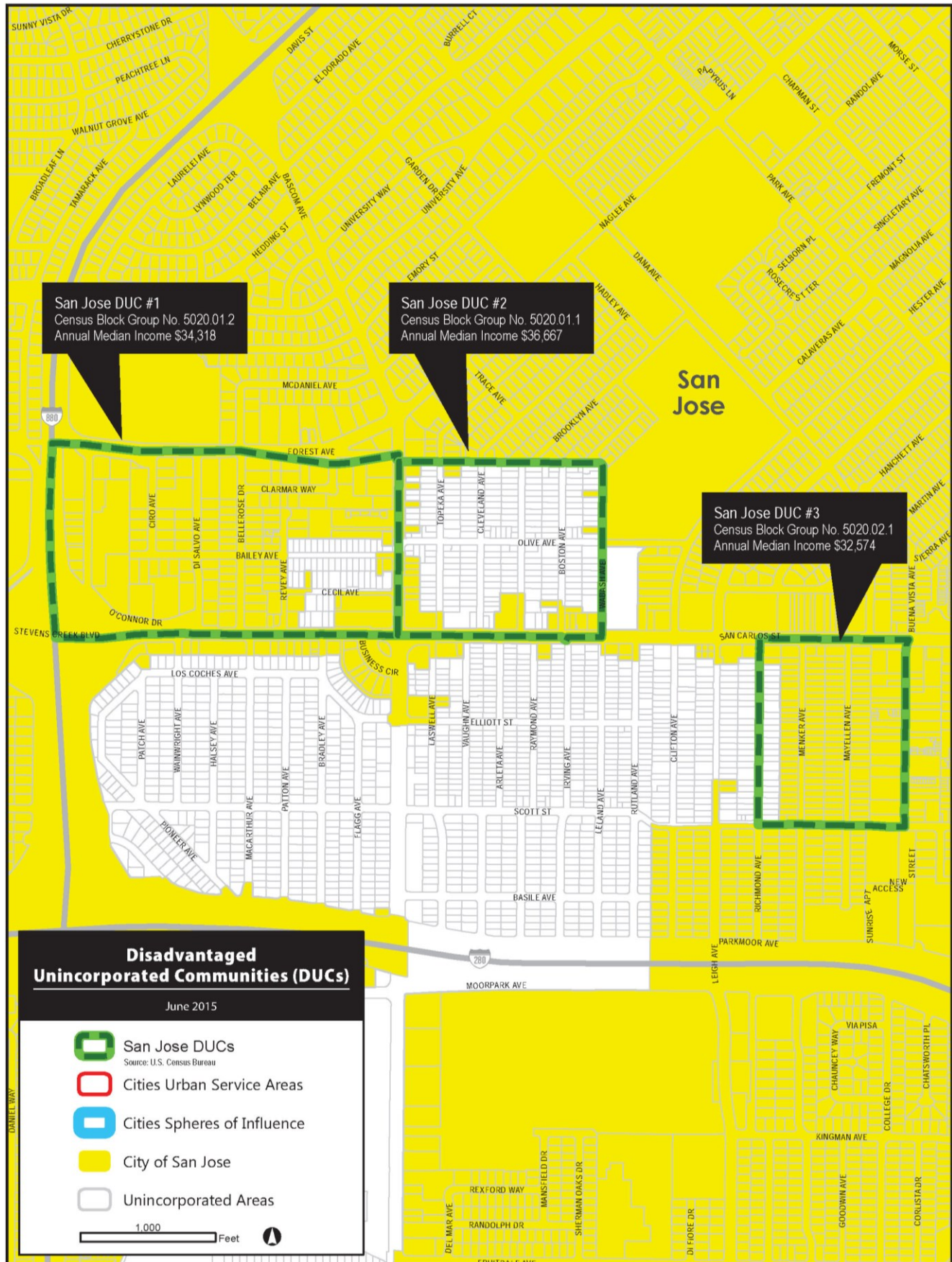
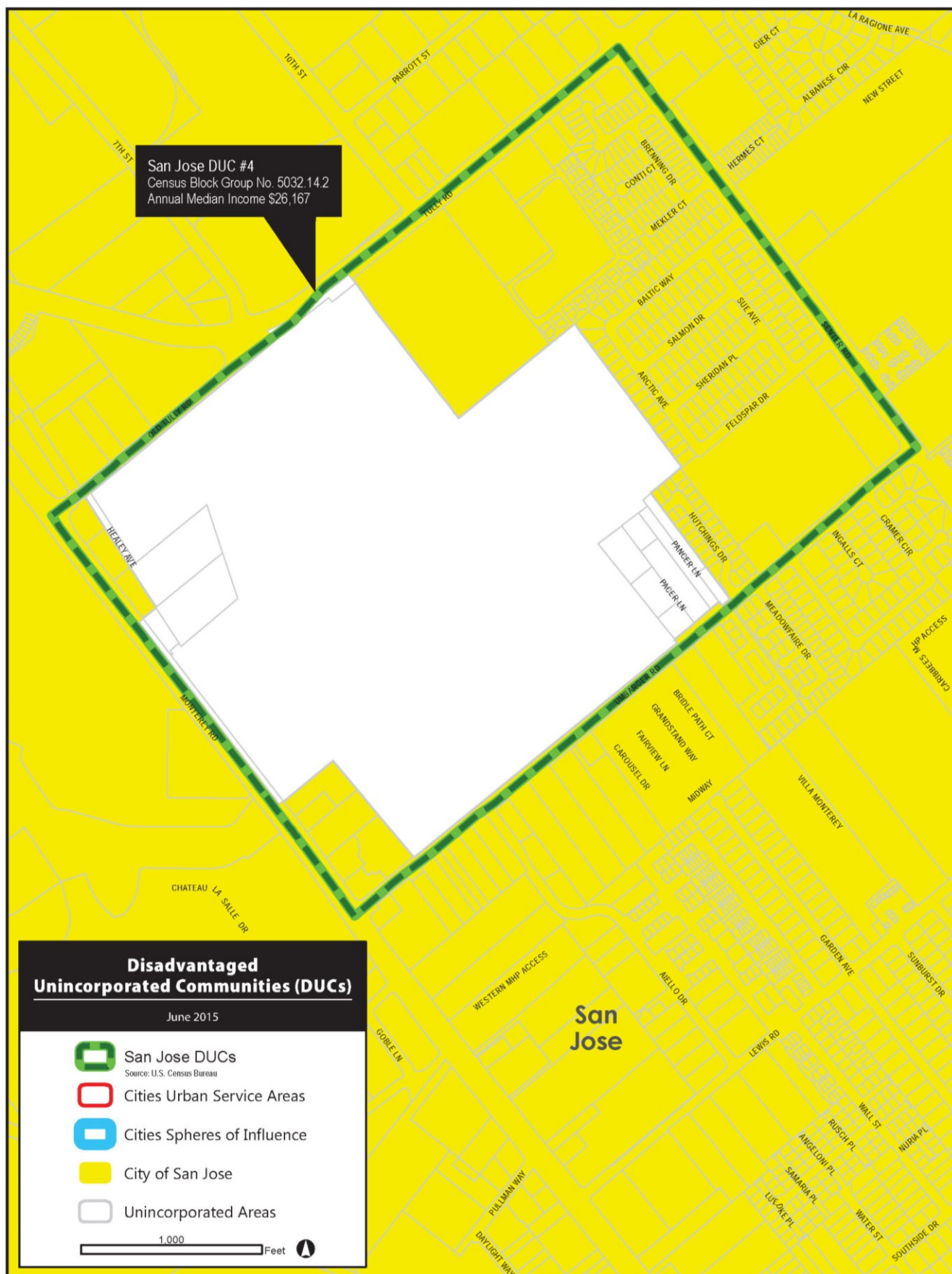


Figure 35. Disadvantaged Unincorporated Community in San Jose (DUC #4)



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

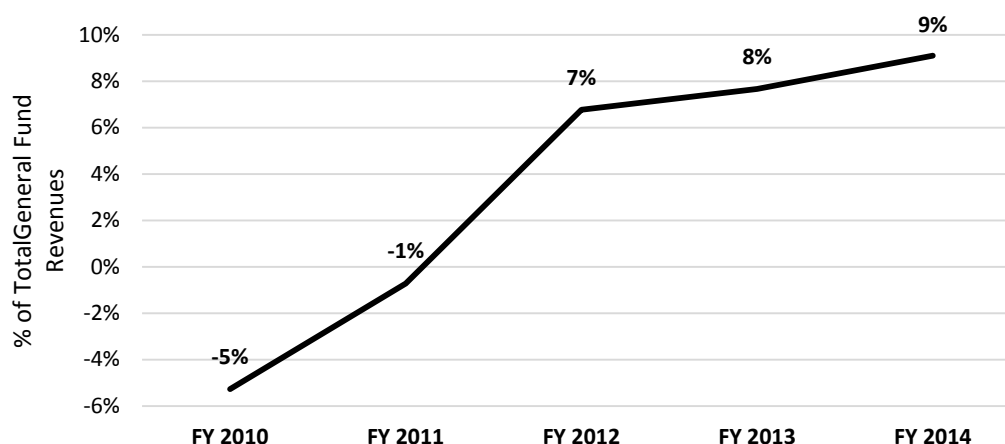
Source: CAFR

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.