

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.

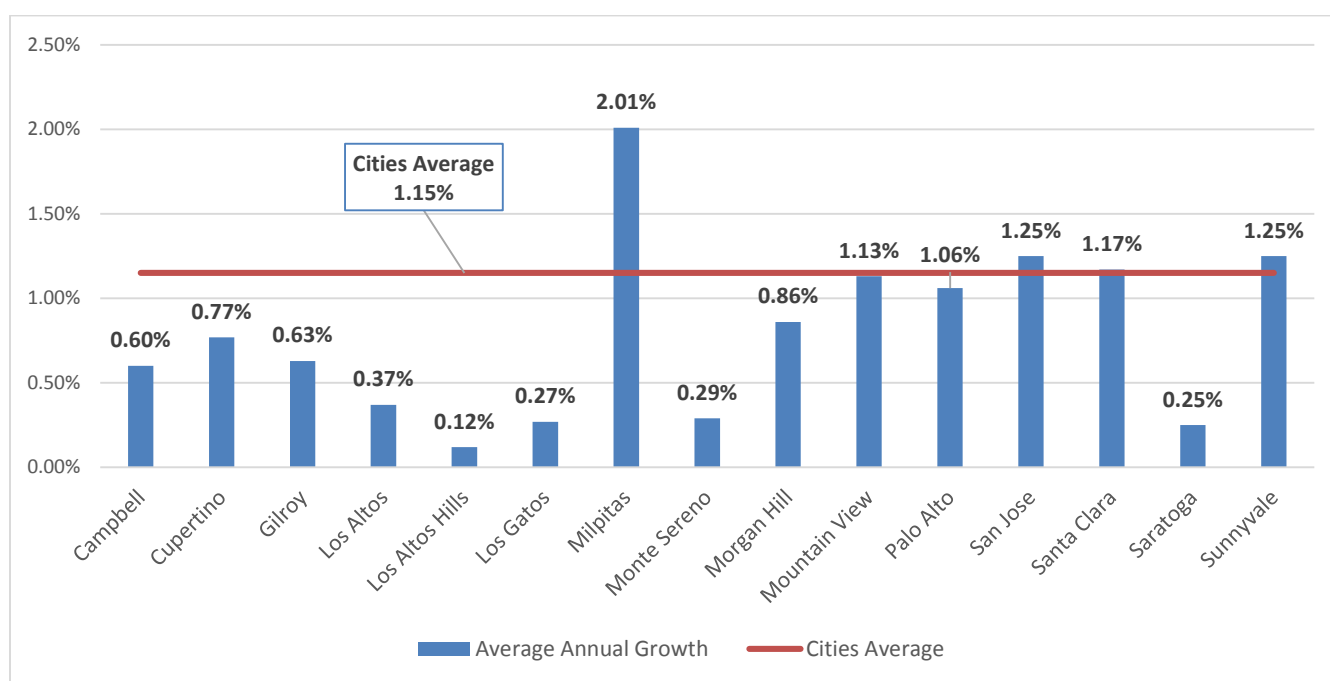
Table 1. City Population and Growth Estimates from 2015 to 2040

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

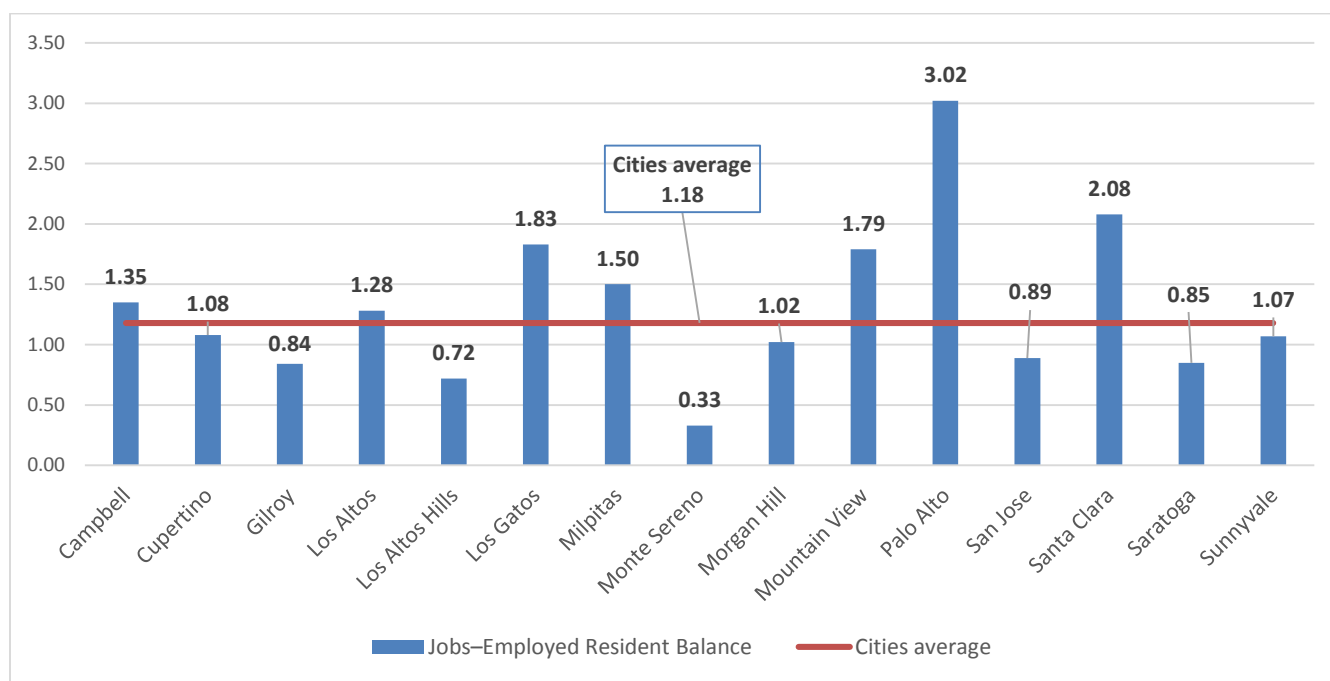
picture of where imbalances exist. It shows which communities “export” workers to other places (a ratio below 1.0) and which communities must import workers from other places (more than 1.0). The closer to balance an area can be, the less need there is for commuting into that area, implying less traffic 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.

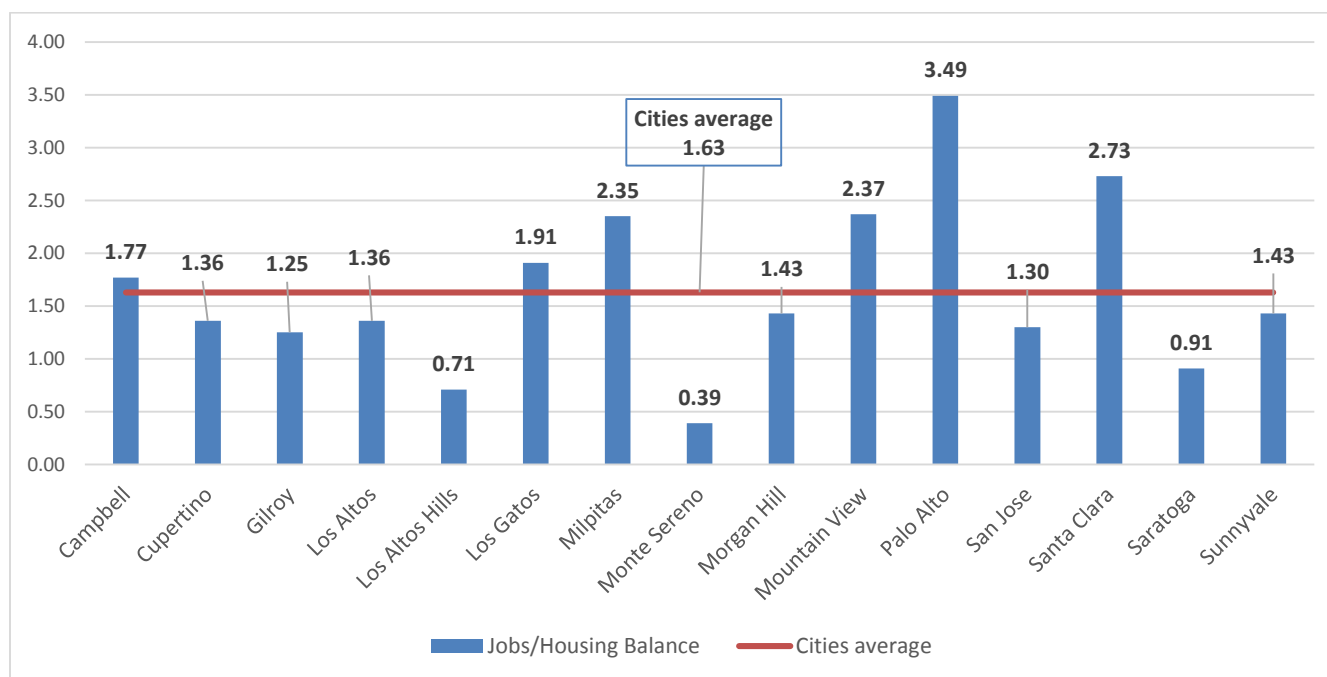
A similar measure is the ratio of jobs to housing available within a community. Used for years as a key urban planning tool, the jobs/housing balance measures the jobs available based on the number of homes in a community. The benefits attributed to parity in the jobs/housing balance mirror those benefits 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 capital, 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

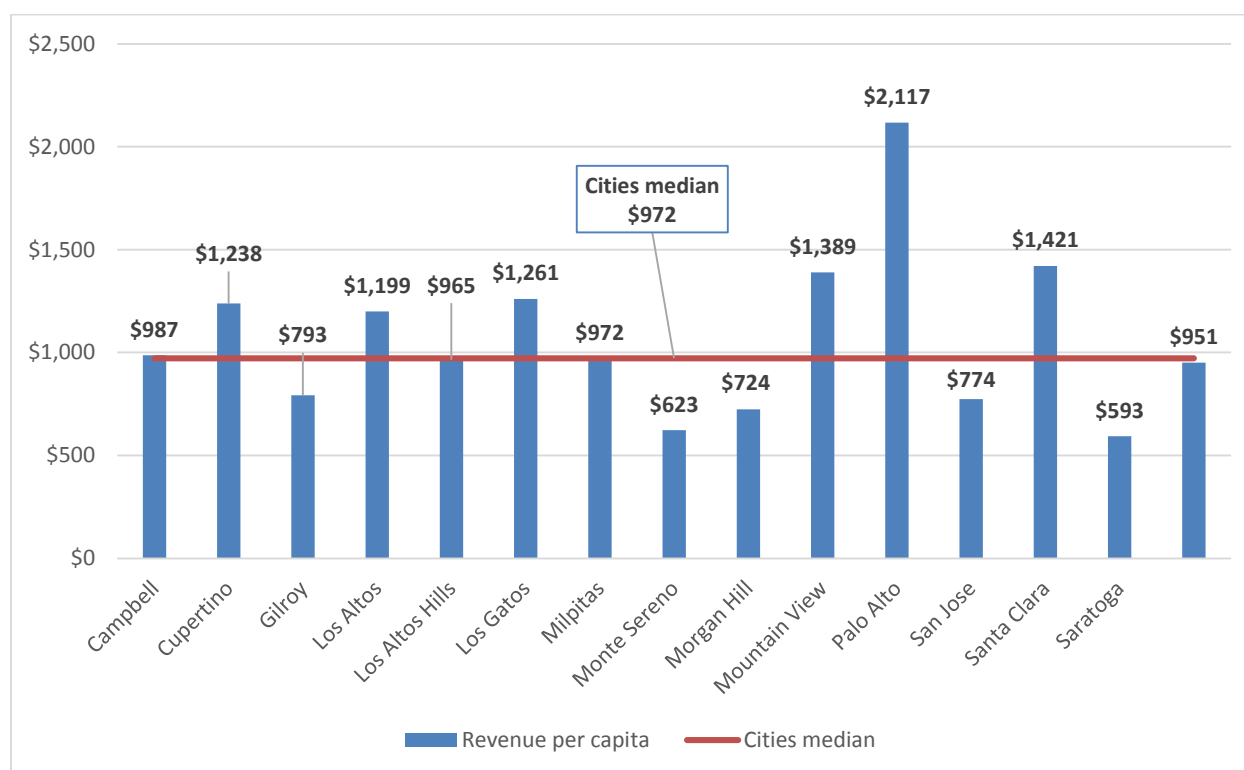
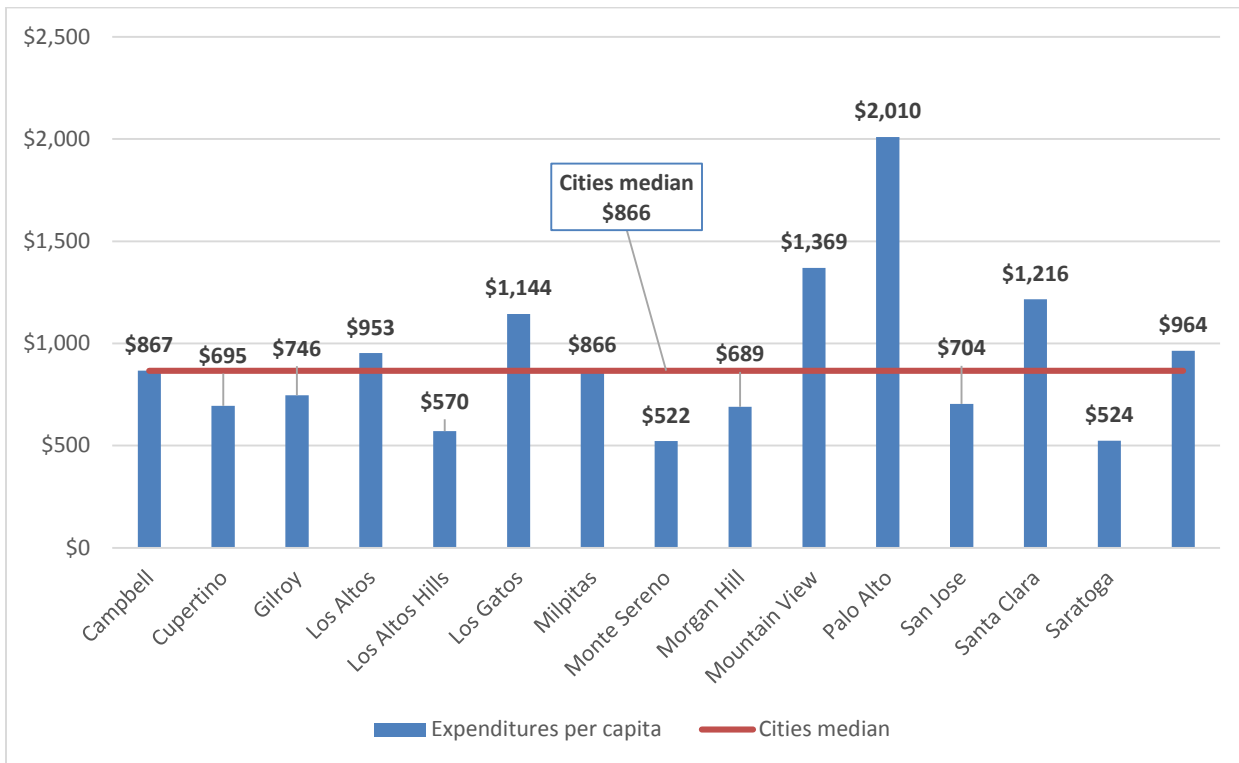


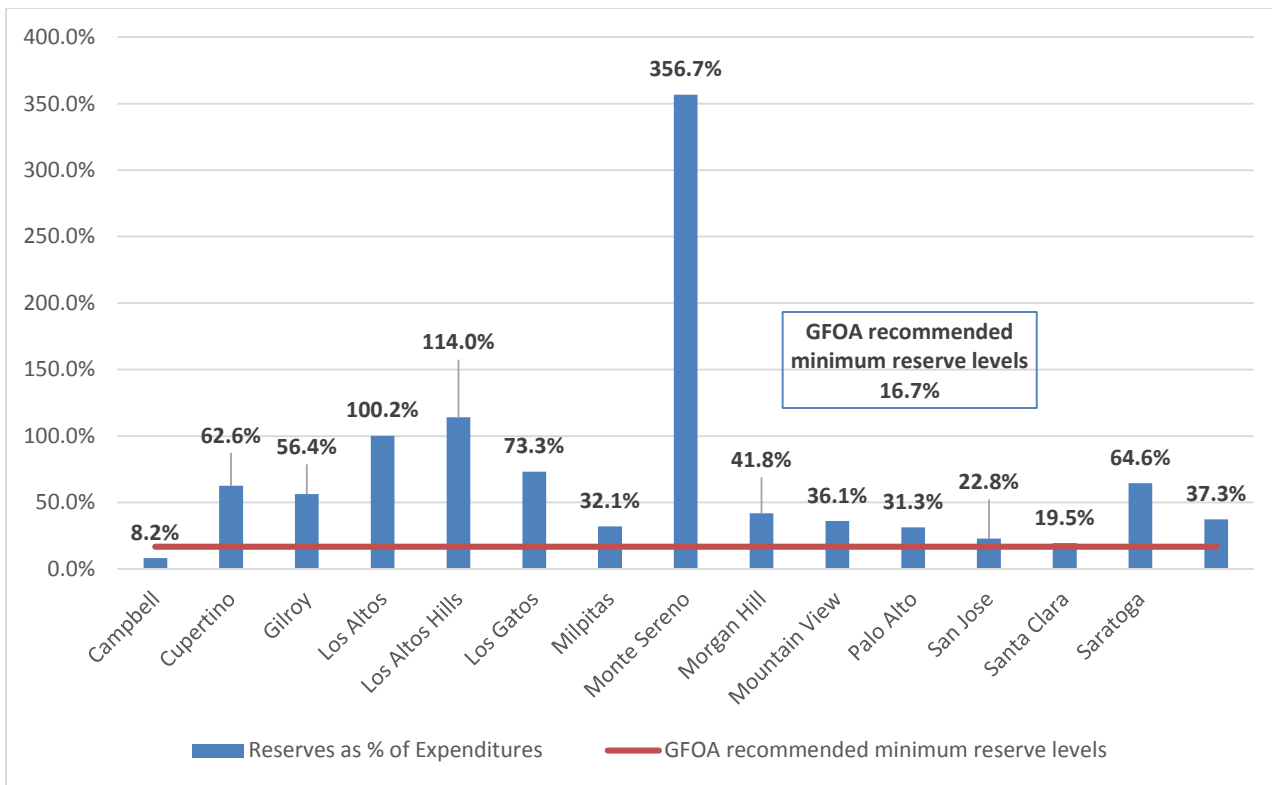
Figure 5. General Fund Expenditures per Capita for Santa Clara County Cities in FY 2014



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 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.