

Background

2 Background

2.1 Service Review Requirements

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

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

2.1.1 Sphere of Influence and Urban Service Area

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

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

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

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

2.2 Purpose of the Report

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

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

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

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

2.3 Cities Service Review

2.3.1 Agencies Reviewed

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

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

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

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

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

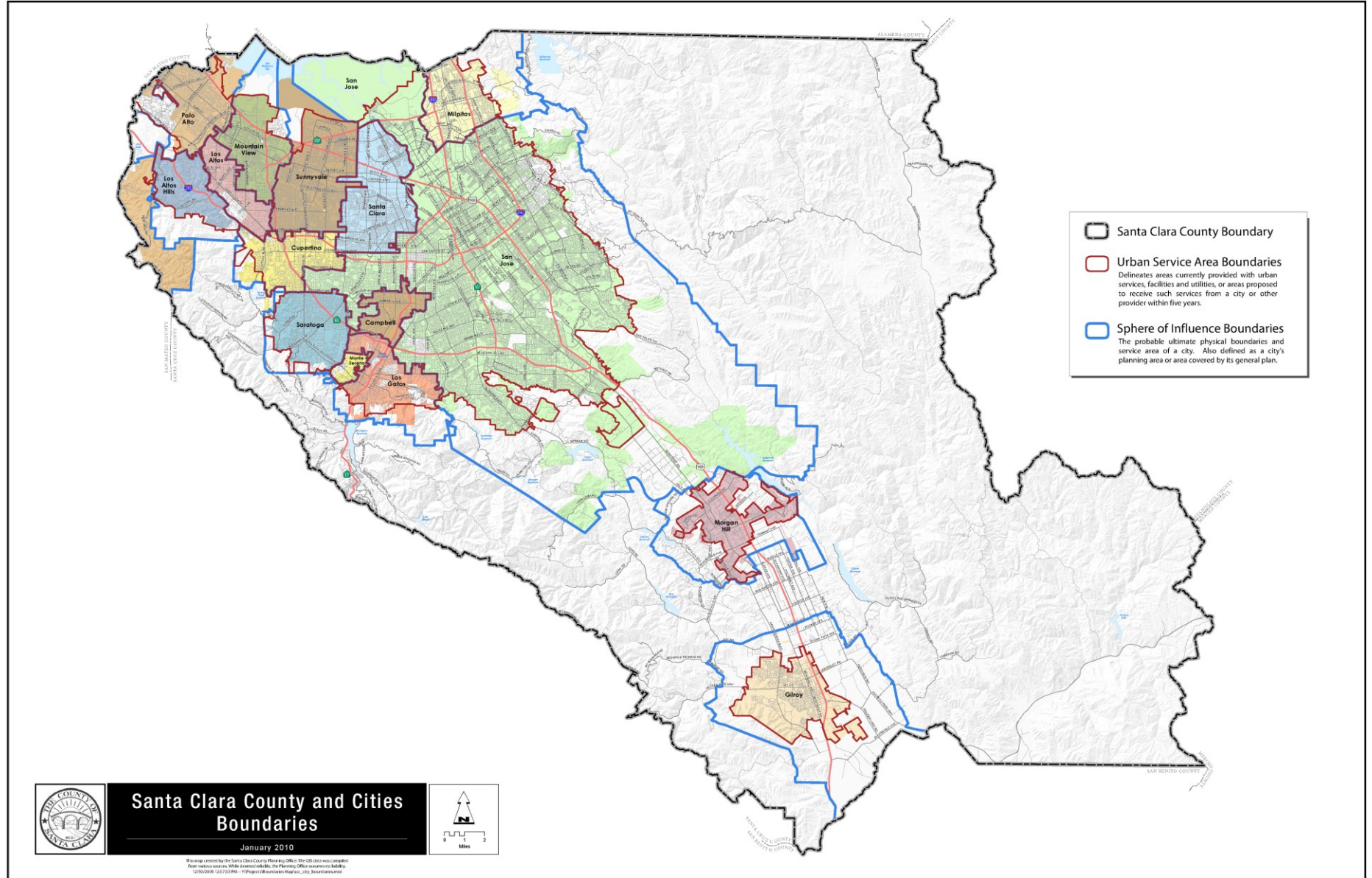
Source: Department of Finance 2015 Population Estimates, LAFCO, Staff from Moffett Field and Stanford University; US Census Bureau, 2010 estimates used for San Martin

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

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

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

Figure 7. Map of Santa Clara County Cities



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

2.3.2 Services Reviewed

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

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

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

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

2.3.3 Special Areas of Focus

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

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

2.4 Project Approach and Methodology

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

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

2.4.1 Data Collection

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

2.4.2 Interviews

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

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

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

2.4.3 Jurisdictional Profiles

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

2.4.4 Evaluation Criteria for Determinations

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

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

Table 6. *Evaluation Criteria Used for Determinations*

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

Table 7. Service Level Statistics Compiled for Cities Service Review

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

2.4.5 Data Analysis and Determinations

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

2.4.6 Public Draft

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

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

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

2.5.1 Boundary Agreement Lines

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

2.5.2 Urban Service Areas (USAs)

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

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

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

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

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

2.5.3 Spheres of Influence (SOIs)

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

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

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

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

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

2.5.4 City Urban Growth Boundaries and City General Plan Boundaries

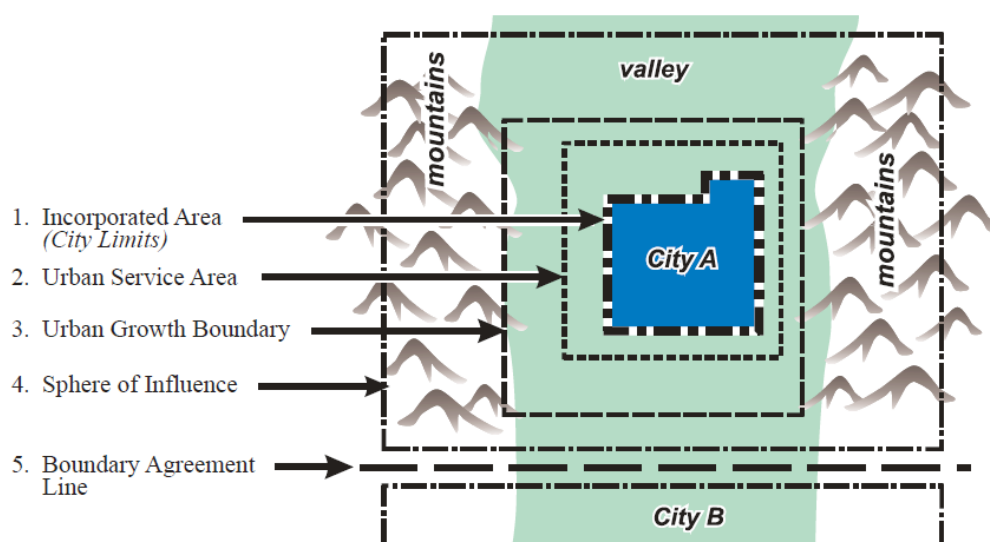
In addition to SOIs and USAs, some cities in Santa Clara County have also adopted Urban Growth Boundaries (UGBs). These are long-term growth boundaries that delineate areas intended for future urbanization. Because UGBs are adopted individually by cities and do not require County or LAFCO approval, cities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

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

Table 8. Santa Clara County Boundary Terms

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

Figure 8. Hypothetical Relationships Among Boundaries within Santa Clara County



2.5.5 Urban Unincorporated Islands

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

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

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

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

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

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

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

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