

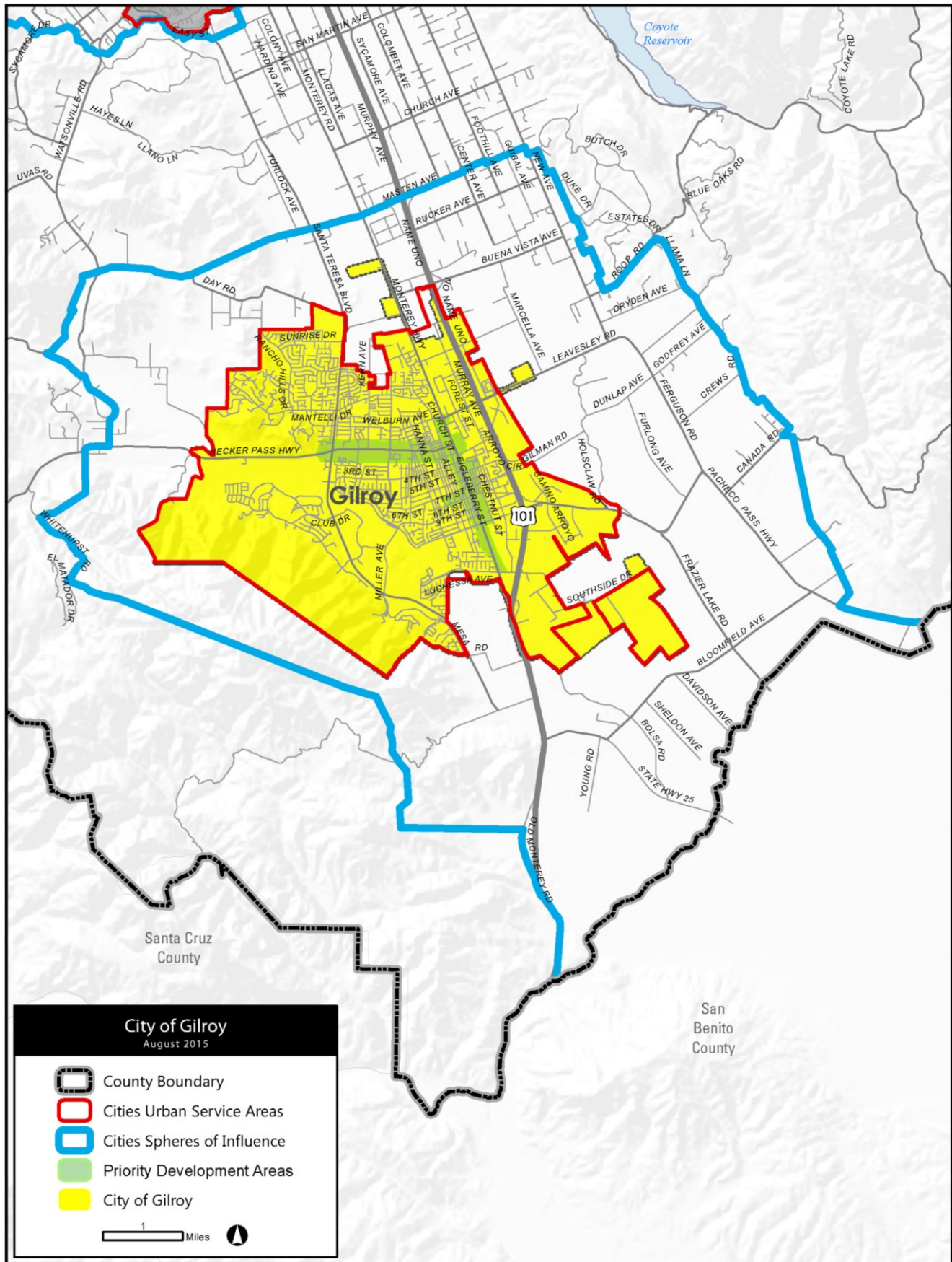
5 City of Gilroy



5.1 Agency Overview

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

Figure 13. City of Gilroy Existing Boundaries



5.1.1 City Staffing

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

Table 35. City of Gilroy Staffing in Top Four Functions

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

Source: CAFR

5.1.2 Form of Government

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

5.1.3 Joint Powers Authorities

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

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

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

Source: City website and City staff interviews

5.1.4 Awards and Recognition

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

Table 37. City of Gilroy Recent Awards

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

Source: City of Gilroy staff

5.2 Growth and Population

5.2.1 Growth and Population Projections

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

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

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

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

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

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

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

5.2.2 Jobs and Housing

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

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

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

Table 39. City of Gilroy Housing Profile

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

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

5.2.3 Planning and Building

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

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

5.2.4 Priority Development Areas

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

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

5.2.5 Planning for an Aging Population

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

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

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

5.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

5.3.1 Planning Boundaries

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

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

5.3.2 Unincorporated Islands

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

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

5.3.3 Disadvantaged Unincorporated Communities (DUCs)

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

5.4 City Services

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

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

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

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

Source: City website and City Staff interviews

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

5.4.1 Animal Control

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

5.4.2 Law Enforcement

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

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

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

5.4.3 Library

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

5.4.4 Lighting

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

5.4.5 Parks and Recreation

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

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

5.4.6 Solid Waste

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

5.4.7 Streets

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

5.4.8 Stormwater

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

5.4.9 Utilities

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

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

5.4.10 Wastewater

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

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

5.5 Financial Information

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

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

5.5.1 Revenues and Expenditures

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

Table 41. City of Gilroy Tax Revenues

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

Source: CAFR

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

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

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

Source: CAFR

5.5.2 Debt

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

Table 43. City of Gilroy Obligations, Debt and Liabilities

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

Source: CAFR

5.5.3 Reserves

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

Table 44. City of Gilroy Reserves

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

Source: CAFR

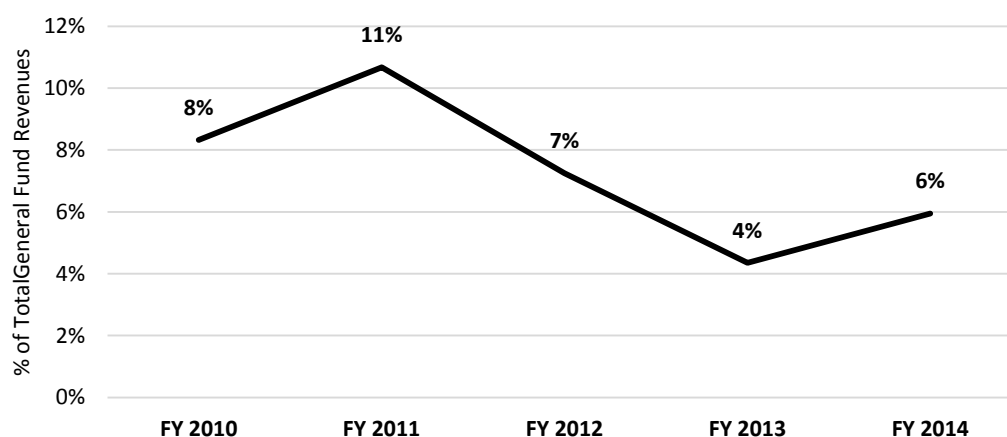
Note: Economic uncertainty reserve fund was established in 2010.

5.5.4 Financial Health Indicators

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

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

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



Source: CAFR

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

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

Table 45. City of Gilroy General Fund Fiscal Indicators

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

Source: CAFR, City Finance Staff

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

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

5.5.5 Financial Reporting

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

Table 46. City of Gilroy Financial Reporting

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

5.6 Service Review Determinations

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

1. GROWTH AND POPULATION PROJECTIONS

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

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

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

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

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

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

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

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

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

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

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

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

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

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

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

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

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

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

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

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

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

5.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

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

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

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

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

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

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

SOI DETERMINATIONS FOR THE CITY OF GILROY

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

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

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

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

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

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

The present capacity of public facilities appears to be adequate.

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

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

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

Not applicable.