



Annual Report on City Services 2016-17

The Office of the City Auditor is pleased to present the tenth City of San José Annual Report on City Services (formerly the Service Efforts and Accomplishments report). This report provides performance data on the cost, quantity, quality, timeliness, and public opinion of City services. It includes historical trends and comparisons to targets and other cities. The report is intended to be informational and to provide the public with an independent, impartial assessment of the services the City provides with their tax dollars.

With a population of 1,046,000, San José is the tenth largest city in the United States and the third largest city in California. The City of San José serves one of the most ethnically diverse populations in California—about 35 percent Asian, 32 percent Hispanic, and 26 percent white. Nearly 40 percent of San José residents are foreign born and more than half of residents speak a language other than English at home. San José’s unemployment rate declined to approximately 3.9 percent in 2016-17, down from a high of 12.6 percent in 2009-10. Median household income increased in 2016, reaching \$102,000; however, the cost of living in San José is among the highest in the nation and 17 percent of households earned less than \$35,000.

Resident Survey

2017 marked San José’s seventh year of participation in The National Citizen Survey.™ Three thousand households were selected at random for participation in a mail survey designed to understand resident opinions about their community and the services provided by local government. Residents also had the opportunity to participate through an online “opt-in” survey. Surveys were available in English, Spanish, and Vietnamese.

While two thirds of residents expected to remain in San José over the next five years, less than half rated the overall quality of life in San José as good or excellent. Although survey results for some community characteristics are similar to past years (e.g., shopping, employment, and recreational opportunities), responses about others have decreased significantly over the past seven years. Declines were noticeable in ratings of the overall built environment, the appearance and cleanliness of San José, and the availability of housing options. Nearly every City service received similar or lower ratings from respondents compared to previous years. For many services, ratings have been steadily declining for the past seven years as the City went through significant budget and service reductions.

Residents identified safety and the economy as priorities for the San José community in the coming two years. Ninety-five percent of respondents felt it was essential or very important for San José to focus on the overall feeling of safety. Eighty-seven percent thought it was essential or very important that San José focus on the overall economic health of the City.

Financial Condition

This report provides information on the City's overall financial condition, including trends over time and comparisons with six other California cities. Although City revenues have increased in recent years, the City still had relatively lower revenue per capita compared to other jurisdictions, and its net assets per capita (while higher than other jurisdictions) have decreased in recent years. Though the City has had an above average ratio of cash to liabilities compared to other cities in recent years, the amount of money the City had in cash and investments compared to liabilities decreased last year. San José is the only city surveyed that had its capital assets decrease in value. The amount the City has borrowed per resident has declined in recent years and is mid-range of other cities surveyed; however, the City also faces an estimated \$1.5 billion deferred maintenance and infrastructure backlog and a \$4 billion unfunded liability for pension and retiree health benefits (the City's contributions for pension and retiree health benefits totaled \$328 million in 2016-17; employees contributed an additional \$73 million).

Operating Budget and Staffing

In 2016-17, the City's departmental operating budgets totaled \$1.36 billion*, or about \$1,301 per resident. Three departments (Police, Fire, and Environmental Services) accounted for more than half of all departmental operating budgets.

The City saw a projected General Fund surplus for only the fourth time in the past ten years and was able to provide limited service level enhancements and infrastructure investments. For example, the City allocated additional funding to maintain and repair major streets, and to provide additional resources for public safety purposes. However, San José continues to face a long-term "service level deficit" and does not expect resources to grow in a manner that will allow services to be restored to pre-recession levels. The City Manager's 2017-18 Budget Message forecast budget shortfalls for each of the next five years.

Over the last decade, the City was forced to reduce many City programs including a significant reduction in staff (13 percent over the last ten years). San José now employs about 5.9 people per 1,000 residents—fewer than its 20-year average of 7.0 and fewer than any other large California city we surveyed. There were more than 830 vacant full-time positions as of June 30, 2017 (or about 13 percent of total positions).

Major Service Results and Challenges in 2016-17

The City of San José provides a wide array of services that City residents, businesses, and other stakeholders count on. Performance highlights and challenges in 2016-17 included:

- In February 2017, the Coyote Creek flooded homes and business in the neighborhoods of Naglee Park, Rock Springs, South 12th Street in Spartan Keys, Olindar, Brookwood Terrace, and Five Wounds, as well as the South Bay Mobile Home Park, Riverbend Family Park, and Golden Wheel Park. This resulted in significant damage to homes, vehicles, and property, as well as the evacuation of approximately 14,000 San José residents. Property damage due to the flood was initially estimated to be \$73 million. Multiple City departments, including PRNS, Housing, DOT, Fire, and others, were involved in recovery efforts. In the first month of recovery, more than 300 City employees, along with non-profit partners and 4,000 volunteers, were involved in setting up emergency shelters, removing debris, street cleaning, building inspections, police protection, and fire and medical response.

* The City's total Operating Budget equaled \$3.2 billion. This also includes General Fund capital and Citywide expenditures, reserves, transfers, and various non-General Fund operating and enterprise fund expenditures (e.g., capital, debt service, pass-through grant funds) and operating or other reserves.

- During 2016-17, the Police Department initiated or received about 1,141,000 calls for service, slightly up from the prior year. The average response time for Priority 1 calls was 8.5 minutes, slower than the department's target of 6 minutes. The response time for Priority 2 calls was 21.5 minutes, much slower than the target of 11 minutes. Over the past ten years, the number of sworn officers has decreased. As of June 2017, only 798 of the 1,109 authorized sworn positions were filled with street ready sworn officers; 239 sworn positions were vacant. Following a spike in 2012, San José's rate of major crimes per 100,000 residents has remained slightly below state and national averages. However, just 36 percent of residents reported an overall excellent or good feeling of safety. The majority of residents, 76 percent, feel very or somewhat safe in their neighborhoods during the day but only 18 percent feel the same way in downtown at night. While up from 2016, ratings of Police services have declined over the past several years. Only 37 percent of residents rated the quality of Police services as good or excellent in 2017, and only 20 percent of respondents rated the quality of crime prevention as good or excellent.
- The Fire Department responded to 91,000 emergency incidents. This included 56,000 medical incidents, 3,000 fires, and 32,000 other calls (such as rescues, Haz Mat incidents, and good intent responses). The department responded to 71 percent of Priority 1 incidents within 8 minutes. This is below the target of 80 percent compliance and the same response time compliance as the prior year. The department met its Priority 1 time target for dispatch time; however, it met its turnout time standard for only 75 percent of Priority 1 incidents and its travel time standard for only 47 percent of Priority 1 incidents (target: 80 percent for each). Only two of its 33 stations met the Priority 1 response standard of 8 minutes for 80 percent of incidents. Seventy-eight percent of residents rated fire services as good or excellent, and 75 percent of residents gave similar ratings for emergency medical services. Only 48 percent of residents rated fire prevention and education as good or excellent.
- The City has 50 community centers; however, as in the prior year, it operated only 12 of those centers. The remaining facilities were operated through the City's facility re-use program by outside organizations and/or other City programs. The City has 191 neighborhood and 9 regional parks. Eighty-five percent of residents reported having visited a park at least once in the last year. Estimated participation in City-run recreation programs totaled 753,000. About half of residents rated San José's recreation centers and programs as good or excellent. However, only about a third gave similar ratings for services to seniors and youth.
- Branch libraries were open 47 hours per week in 2016-17 (up from 33 or 34 hours in recent years), and the Dr. Martin Luther King, Jr. main library was open 77 hours per week during the academic year. Total visitation remained about the same as the prior year; however, circulation was down 5 percent. Circulation and visitation varied across library branches. Fifty-eight percent of residents indicated that they or someone in their household had used a library in the past year, and 75 percent rated library services as good or excellent.
- San José remains one of the least affordable cities in the country with just 6 percent of residents reporting the availability of affordable quality housing as good or excellent. Average monthly rents increased to \$2,353 and the median single-family home price to \$996,000. The City's 2017 Homeless Census identified 4,350 homeless individuals, 28 percent of whom were deemed chronically homeless. Partnering with other agencies, the Housing Department assisted 1,300 homeless individuals into permanent housing in 2016-17.
- Despite significant increases over the past ten years, stormwater rates remained unchanged in 2016-17; sewer rates increased slightly and garbage/recycling rates remained unchanged. About 70 percent of San José residents rated garbage, recycling, and yard waste pick-up as good or excellent. San José Municipal Water (Muni Water) rates increased very slightly from the prior year. In March 2017, the City declared an end to a citywide water shortage due to heavy rain and snow throughout the state that ended a string of drought years.
- The City's permit center served about 48,000 customers. Building activity increased from the prior year (16.3 million square feet of construction with a the value of \$1.9 billion). While the number of building permits issued has exceeded pre-recession levels, the number of development staff remains low, despite recent staffing additions. The City met its timeliness targets for only two out of the seven development processes shown in this report.

- After implementing a risk-based tiered inspection process for its Multiple Housing Program, the City’s code enforcement inspectors are targeting properties at high risk of violations. In 2016-17, they inspected about 2,000 buildings that cumulatively had about 7,800 housing units. Fifteen percent of residents rated code enforcement as good or excellent—one of the lowest ratings of any City service.
- The Airport served over 11.5 million passengers, up from the prior year as well as from a decade ago. There were over 110,000 passenger flights (takeoffs and landings), or about 302 per day. While the number of passengers in the region has grown over the past ten years, the Airport’s regional market share has declined from 18 percent ten years ago to 15 percent in 2016-17. Operating revenues totaled \$153 million in 2016-17. Annual debt service was \$97.4 million, the result of the Airport modernization and expansion that began in 2005 (bonds issued in 2007 were restructured and refunded in 2017). Noise complaints increased drastically from previous years; as a result, the City Council approved an Ad Hoc Advisory Committee to review noise impacts to surrounding communities. Seventy-seven percent of residents rated the ease of use of the Airport as good or excellent.
- San José’s street pavement condition was deemed only “fair” in 2016—rated at 62 on the Pavement Condition Index (PCI) scale out of a possible 100. This is down from the 2003 PCI rating of 67. A “fair” rating means that the City’s streets are worn to the point where expensive repairs may be needed to prevent them from deteriorating rapidly. Because major repairs cost five to ten times more than routine maintenance, these streets are at an especially critical stage. The Department of Transportation has continued to make corrective repairs, such as filling more than 11,000 potholes and patching damaged areas. Only 14 percent of residents rated street repair as good or excellent—the lowest rating of any City service.

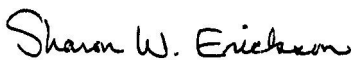
Additional information about other City services is included in the report.

Conclusion

This report builds on the City’s existing systems and measurement efforts. The City Auditor’s Office selected and reviewed performance data to provide assurance that the information in this report presents a fair picture of the City’s performance. All City departments are included in our review; however, this report is not intended to be a complete set of performance measures for all users. It provides insights into service results, but is not intended to thoroughly analyze those results. By reviewing this report, readers will better understand the City’s operations. The report contains an Introduction with a community profile of the City. This is followed by resident survey results, various measures about the City’s financial condition, and a summary of the City’s overall budget and staffing. The remainder of the report presents performance information for each department in alphabetical order—their missions, descriptions of services, workload and performance measures, and survey results.

Additional copies of this report are available from the Auditor’s Office and are posted on our website at www.sanjoseca.gov/servicesreport. We thank the many departments that contributed to this report. This report would not be possible without their support.

Respectfully submitted,



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City Auditor

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