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INTRODUCTION

BACKGROUND

This is the 16th Annual Report on City Services. The purpose of this report is to:

- improve government transparency and accountability,
- provide consolidated performance and workload information on City services,
- allow City officials and staff members to make informed management decisions, and
- report to the public on the state of City departments, programs, and services.

The report contains summary information including workload and performance results for the fiscal year ended June 30, 2023. We limited the number and scope of workload and performance indicators in this report to items we identified as the most useful, relevant, and accurate indicators of City government performance that would also be of general interest to the public. This report also includes the results of a community survey, completed in September 2023, rating the quality of City services.

All City departments are included in our review; however this report is not a complete set of performance measures. The report provides three types of comparisons when available: historical trends, selected comparisons to other cities, and selected comparisons to stated targets.

This report covers the functions of the City government of San José. The city's residents are also served by the County of Santa Clara, which provides criminal justice, health and hospital, housing, and social services. The Santa Clara Valley Water District provides water and flood protection to San José residents. Multiple San José school districts containing nearly 230 public schools serve the city's children.

Note: "City" is capitalized when referring to the City of San José as an organization and lowercase ("city") when referring to the city as a place.

The first section of this report contains information about the City government; a short profile of the San José community; the City's operating budget, finances, and staffing; and resident perceptions of the city, City services, and City staff. It also includes City Service Area (CSA) dashboards – the top six measures representing achievements in the City's key lines of business. The remainder of the report displays performance information by department, in alphabetical order. The departments are as follows:

- Airport
- City Attorney
- City Auditor
- City Clerk
- City Manager
- Economic Development and Cultural Affairs
- Energy
- Environmental Services
- Finance
- Fire
- Housing
- Human Resources
- Independent Police Auditor
- Information Technology
- Library
- Parks, Recreation and Neighborhood Services
- Planning, Building and Code Enforcement
- Police
- Public Works
- Retirement
- Transportation

ACKNOWLEDGEMENTS

The Office of the City Auditor thanks staff from each City department for their time, information, and cooperation in the creation of this report.

CITY GOVERNMENT

San José operates under a council/manager form of government, where the City Council is the primary legislative body and the City Manager oversees day-to-day municipal operations. The City has an 11-member City Council with many Council-appointed boards and commissions.* The Mayor is elected citywide; Council members are elected by district (see map).

There were 21 City departments and offices during fiscal year 2022-23. Five of the departments and offices are run by officials directly appointed by the City Council. Those officials are the City Manager, City Attorney, City Auditor, Independent Police Auditor, and City Clerk.

Some departments and programs serve expanded service areas. These departments include Environmental Services, Public Works, and the Airport. For example, the San José/Santa Clara Regional Wastewater Facility is co-owned by the cities of San José and Santa Clara and provides service to those cities as well as Milpitas, Cupertino, Los Gatos, Monte Sereno, Campbell, and Saratoga. The Airport serves the entire South Bay region and neighboring communities.

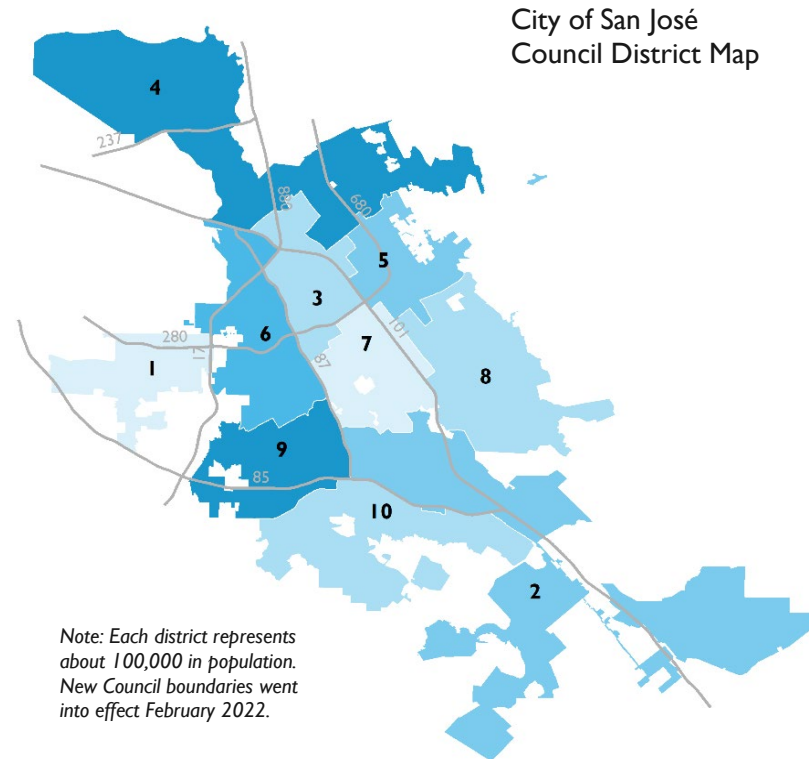
The Mayor's March 2023 budget message, which was unanimously approved by the City Council, included priorities for the upcoming year, with proposed investments in the areas of:

- Increasing Community Safety
- Reducing Unsheltered Homelessness
- Cleaning Up Our Neighborhoods
- Attracting Investment in Jobs and Housing

Identification of these City Council Focus Areas is meant to increase the organizational focus and drive change on critical issues impacting the community. Progress in these Focus Areas will be reported quarterly to the City Council.

The City Council meets weekly to direct City operations. The Council meeting schedule and agendas can be viewed [online](#).

*Details of the boards and commissions can be found on [the City's website](#).



The City Council also holds Council Committee meetings each month. The decisions made in these meetings are brought to the main Council meeting for approval.

The City Council Committees are:

- Community & Economic Development Committee
- Neighborhood Services & Education Committee
- Public Safety, Finance & Strategic Support Committee
- Rules & Open Government Committee
- Transportation & Environment Committee

INTRODUCTION

COMMUNITY PROFILE

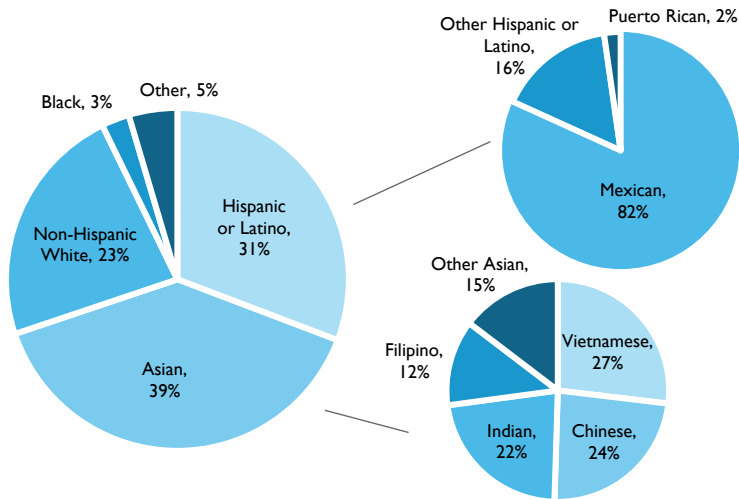
San José, with a population of over 950,000, is the twelfth largest city in the United States and the third largest city in California. Major California cities had a population decline over the past year, with the exception of Sacramento.

Both San José and Santa Clara County have experienced population decreases for the past three years. In 2023, San José's population decreased by 17,200, though the County's overall population decreased by 8,700. This is a similar trend to the state's overall population decline. Using 2022 Census data, the number of lower- and middle-income households (income of under \$150,000) in San José declined in 2022 while the number of higher income households increased. The state also experienced an overall population decrease, with a net migration of about -138,400 in the past year.

THE CITY'S RESIDENTS ARE DIVERSE

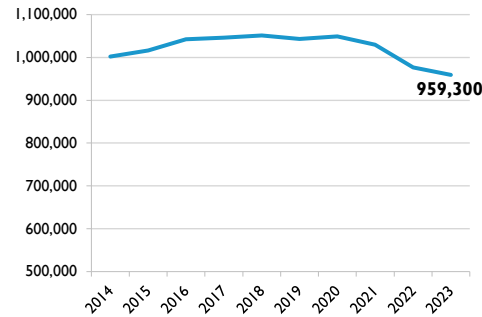
The City serves an ethnically diverse population. Understanding the demographics of San José is important because they influence the type of services the City provides and residents demand. It can also influence how services are provided (e.g., providing programming in other languages).

Ethnic Breakdown of San José Residents

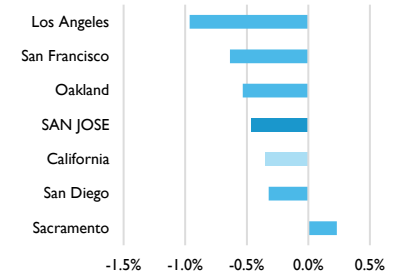


Source: U.S. Census Bureau, American Community Survey, 2022 1-year estimates (Table DP05)

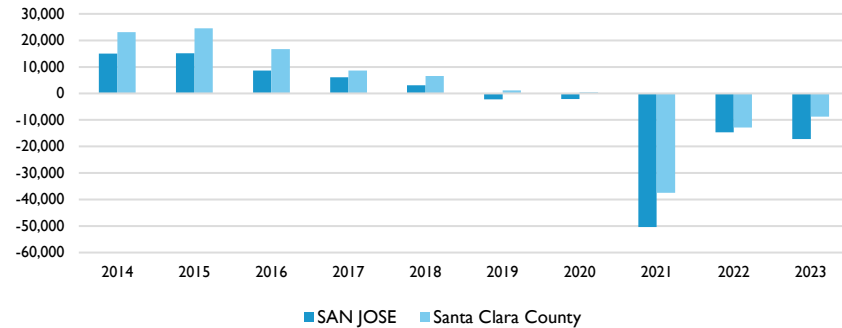
San José's Population Growth



Population Change in Major California Cities (2023)

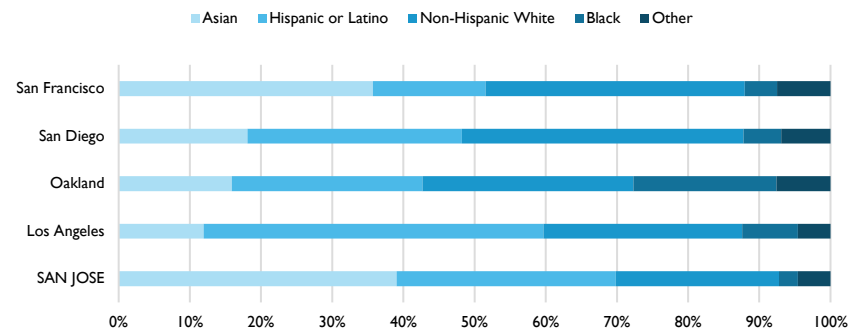


Net Population Gain/Loss in San José and Santa Clara County



Source: California Department of Finance population estimates. Net flows are from January 1 to December 31.

Population by Ethnicity



Source: U.S. Census Bureau, American Community Survey, 2022 1-year estimates (Table DP05)

MANY RESIDENTS ARE FOREIGN BORN

There were an estimated 406,000 foreign born residents in 2022. This is an increase of 13,700 from 2013 to 2022—though there has been a slight demographic shift within the foreign born population. Over that period, the number of residents born in Asia increased by 30,600, while the number of residents born in Latin America decreased by 16,600.

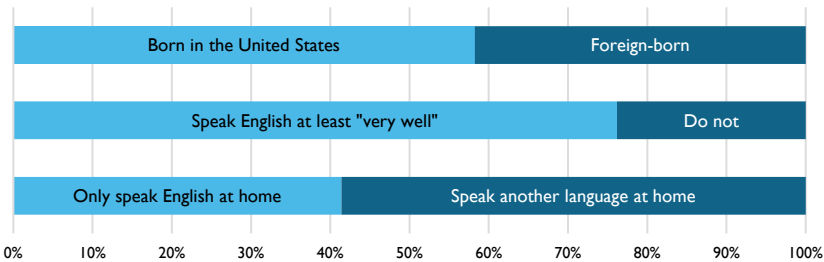
The proportion of the city's residents that speak a language other than English at home slightly increased from 2013 to 2022. The proportion of the City's residents who are not U.S. citizens in 2022 was also slightly higher than it was in 2013.

THE MEDIAN AGE IS SLIGHTLY LOWER THAN THE UNITED STATES' GENERALLY

According to 2022 Census data, San José's population has a median age of 38 years. This is slightly lower than the median age of the U.S. population in 2022. Ten years prior, the city's median age was 36 years.

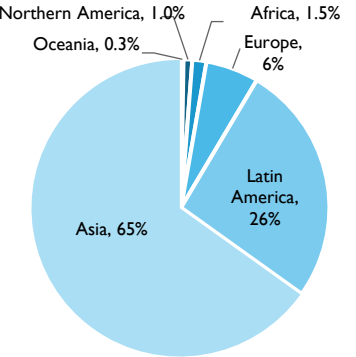
According to the County Registrar, approximately 55 percent of the 1,009,400 registered voters in Santa Clara County voted in the November 2022 election.

Characteristics of San José Residents

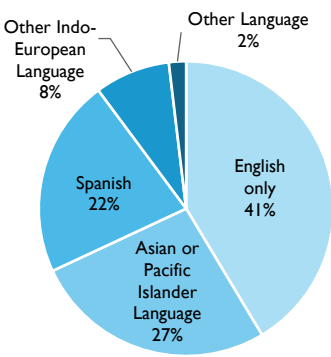


Source: U.S. Census Bureau, American Community Survey, 2022 1-year estimates (Table DP02)

Foreign Born Population by Region

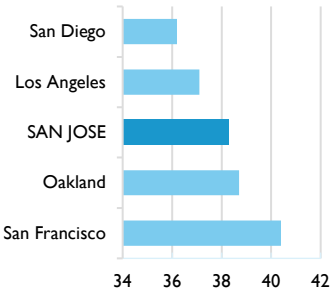


Languages Spoken at Home

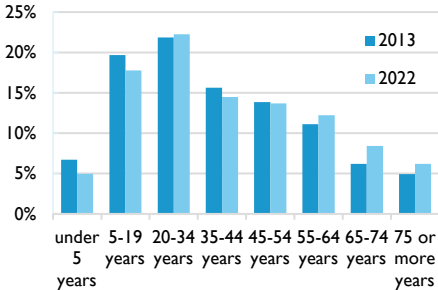


Source: U.S. Census Bureau, American Community Survey, 2022 1-year estimates (Table DP02)

Median Age of Residents



San José Resident Age



Source: U.S. Census Bureau, American Community Survey, 2022 1-year estimates (Table DP05)

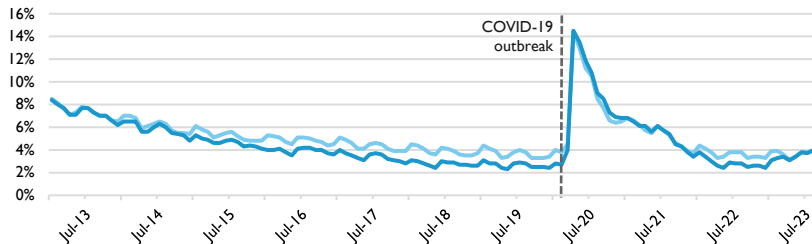
INTRODUCTION

DESPITE HIGH MEDIAN INCOMES, MANY RESIDENTS MAY EXPERIENCE ECONOMIC DISTRESS

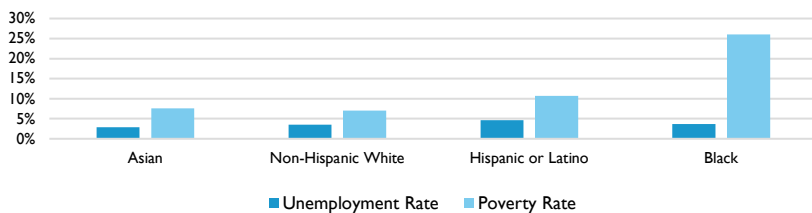
In 2022, median household income in the city was over \$133,800. This figure varied by race, with Black and Latino/a/x households having median household incomes of \$57,200 and \$88,200, respectively. This is less than Asian and Non-Hispanic White households, who had median household incomes of \$175,100 and \$146,200, respectively. In 2022, about 14 percent of households earned less than \$35,000 in income and benefits, and 17 percent of the population received supplemental income or public assistance. The city's overall poverty rate was 9 percent, with the Black population experiencing almost triple the city's overall poverty rate. The 2023 homeless census estimated that 6,300 residents were homeless, and of these, around 4,400 (70 percent) were unsheltered.

San José continues to recover from the COVID-19 pandemic. According to the Bay Area Council Economic Institute, of the 25 largest metro areas in the country, the San José-Sunnyvale-Santa Clara metro area has experienced a lower economic recovery, ranking 19th. This ranking is based on metrics relating to jobs, people, investment, economic activity, and affordability. However, the unemployment rate in the city improved from 14.5 percent in April 2020, to 3.7 percent in July 2023.

Unemployment Rate



Unemployment and Poverty Rates by Race



Source: U.S. Bureau of Labor Statistics; U.S. Census Bureau, American Community Survey, 2022 1-year estimates (Tables S1701 and S2301)

HOUSING PRICES HAVE ALSO INCREASED

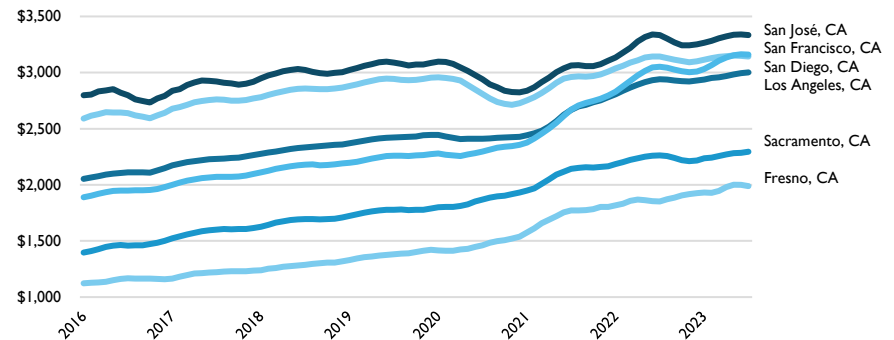
The cost of living in San José is among the highest in the country. As of mid-2023, the median home price in San José was \$1,599,300 and the average monthly rent for all unit types was \$2,700. This is up from \$1,145,000 and \$2,500, respectively, from mid-2019. This also marks the sixth year that the median home price in San José exceeded the million-dollar mark. This compares with a median existing home value of approximately \$386,400 nationally, according to the National Association of Realtors.

In 2022, 33 percent of homeowners and 51 percent of renters in San José reported spending more than 30 percent of household income on housing costs.* In addition, the National Equity Atlas** reports that approximately 16,200 households in Santa Clara County were behind on rent in October 2023, with an average rent debt per household of \$7,200. It further estimates that there are 18,900 children in households that are behind on rent.

*The U.S. Department of Housing and Urban Development defines "housing affordability" as housing that costs less than 30 percent of the occupant's gross income.

**The National Equity Atlas publishes data on racial and economic equity and is a partnership between PolicyLink and the USC Equity Research Institute. These figures are taken from its [Rent Debt Dashboard](#) and are based on the U.S. Census Bureau's Household Pulse Survey from August 23 to September 4, 2023.

Zillow Observed Rent Index for California Cities



Source: Zillow Research

The Zillow Observed Rent Index measures changes in asking rents over time, controlling for changes in the quality of the available rental stock. The index varies from average rent in that it represents price differences for the same rental units over time, rather than the average market rent for units available at a given time.

CITY FINANCES

As reflected in the City's [Annual Comprehensive Financial Report \(ACFR\)](#), the City received \$3.4 billion in revenues in 2022-23. Of this, business-type activities (Airport, San José Clean Energy, Wastewater Treatment System, Muni Water, and Parking System) generated \$1.2 billion. Governmental activity revenues totaled \$2.2 billion, which comes from a variety of sources, including taxes, fees, and grants. In 2022-23, the City's tax revenues were \$1,364 per capita.

The City's total expenses increased slightly in 2022-23 to \$3.1 billion. Business type activities generated \$911 million in expenses, while governmental activities generated \$2.2 billion.

In total, the City had \$7.7 billion in obligations as of June 30, 2023. Of this, \$494 million was for short-term obligations and \$7.2 billion was for long-term obligations. *Short-term obligations* are due within the next year. This includes things like accrued wages that City employees have earned, and accounts payable (money owed for supplies or for services rendered). *Long-term obligations* are generally not due within the next year, but will need to be paid in the future. This includes accrued vacation and sick leave, bonds, and pensions and other post-employment benefits (OPEB).

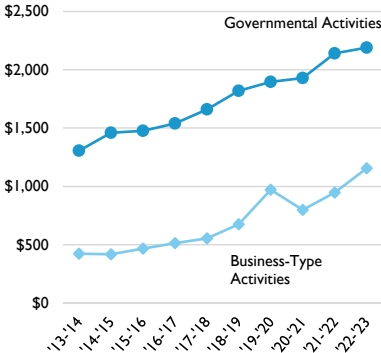
CAPITAL ASSETS

The City owns a variety of capital assets—land, buildings, vehicles, equipment, infrastructure (e.g., roads, bridges, sewers), and other assets with a useful life beyond one year. Capital assets also include construction projects currently being built but not yet completed.

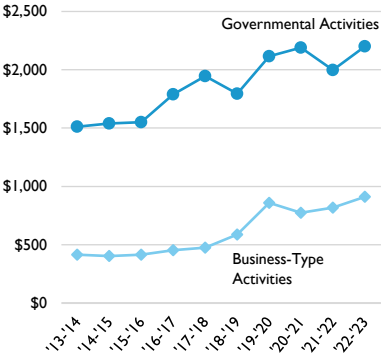
At the end of 2022-23, the City owned \$7.4 billion of capital assets. This figure represents the historical purchase or constructed cost less normal wear and tear from regular use (referred to as *depreciation*). In 2022-23, the City added \$277 million in capital assets; however, these were offset by \$333 million in depreciation.

In March 2022, staff reported that the City faced an estimated \$1.7 billion in deferred maintenance and infrastructure backlog, with an estimated additional \$91 million needed annually to sustain the City's infrastructure in a functional condition. The transportation system (e.g., streets, street lighting) is most affected by the backlog.

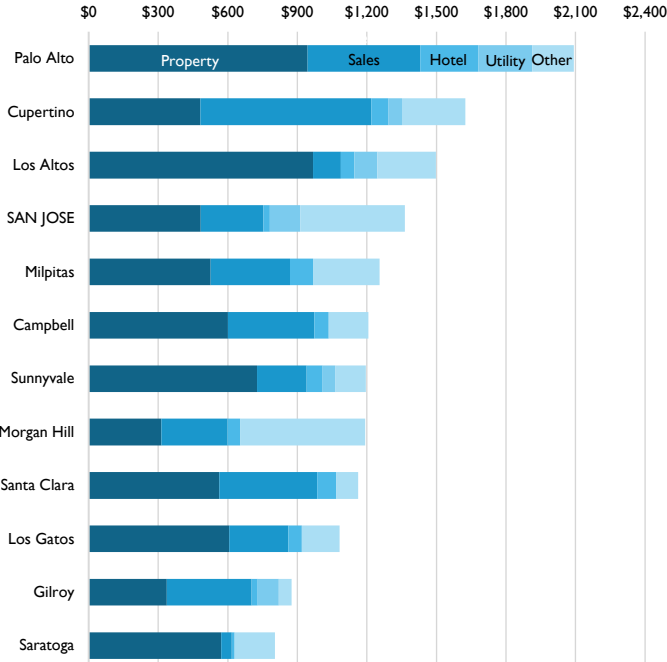
Total City Revenues (\$millions)



Total City Expenses (\$millions)



City Comparison of Tax Revenues Per Capita (2021-22)



Source: 2021-22 State Controller's City Data and California Department of Finance population estimates.

INTRODUCTION

OPERATING BUDGET AND STAFFING

The City’s operating budget is a financial plan for how the City will provide services, pay obligations, and save for future expenses. It is approved by the Mayor and City Council. It contains information and data regarding expected sources and uses of funds, and performance. The City Charter requires the budget to be balanced for every fiscal year. The fiscal year in the City begins July 1 and ends June 30.

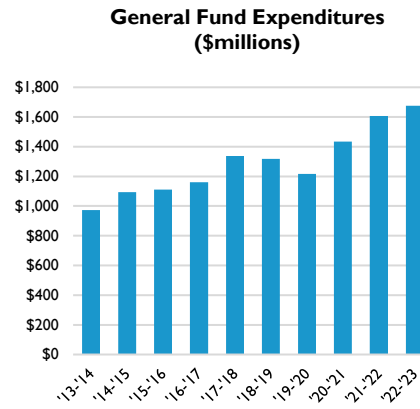
In 2022-23, City expenditures from all funds totaled about \$5.1 billion, an increase from last year. Departmental personal and non-personal operating expenditures totaled approximately \$1.9 billion (or about \$1,983 per resident). The City’s Operating and Capital Budgets are online at the [Budget Office Website](#).

The General Fund is the primary operating fund used to account for the City’s revenues and expenditures which are not related to special or capital funds. In 2022-23, General Fund expenditures totaled over \$1.6 billion. Over 40 percent of expenditures were for the Police and Fire Departments.

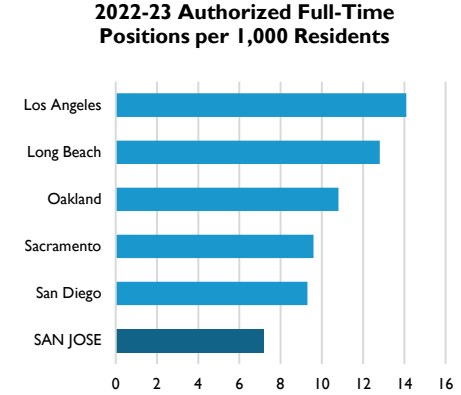
CITY STAFFING

Much of the General Fund’s expenses are allocated for personnel costs. In 2022-23, there were 6,884 full-time equivalent positions in the City. Increased staffing in recent years restored staffing levels from a low in 2011-12, but current staffing is still below the peak staffing level of around 7,500 in 2001-02. Over 600 full-time employees left City employment in 2022-23, a decrease from last year.

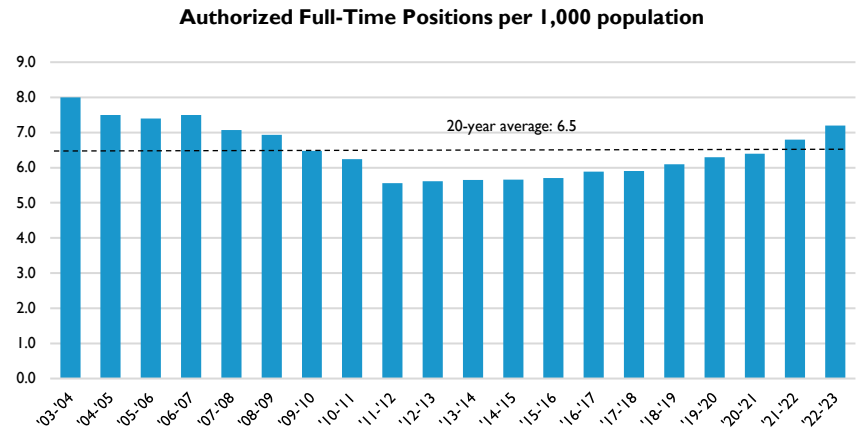
In 2022-23, the City had 7.2 authorized positions per 1,000 residents, far fewer than other large California cities. The number of authorized positions per 1,000 residents was, however, more than San José’s 20-year average of 6.5.



Source: San José Adopted Operating Budgets



Source: 2022-23 Operating Budgets from each jurisdiction and California Department of Finance Demographic Research Unit
Note: The type and range of services may vary across jurisdictions.



Source: 2011 Fiscal and Service Level Emergency Report, November 2011, San José 2012-13 through 2022-23 Adopted Operating Budgets

SCOPE & METHODOLOGY

The City Auditor’s Office prepared this report in accordance with the City Auditor’s FY 2023-24 Work Plan. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The workload and performance results that are outlined here reflect current City operations. The report is intended to be informational and does not fully analyze performance results. The City Auditor’s Office compiled and reviewed departmental performance data. We reviewed information for reasonableness and consistency. We questioned or researched data that needed additional explanation. We did not however audit the accuracy of source documents or the reliability of the data in computer-based systems. We also did not assess the internal controls over performance data unless it was significant to determine the reasonableness and consistency of the reported information. Our review of data was not intended to give absolute assurance that all information was free from error. Rather, our intent was to provide reasonable assurance that the reported information presented a fair picture of the City’s performance.

SELECTION OF INDICATORS

This report relies on existing performance measures, most of which are reviewed yearly by Council, staff, and interested residents during the annual budget process. It also relies on existing benchmarking data. Unless otherwise indicated, this report uses population data from the California Department of Finance and demographic data from the U.S. Census Bureau. In some cases we have presented per capita data to adjust for population.

We used audited information from the City’s Annual Comprehensive Financial Reports (ACFRs). We cited mission statements, performance targets, performance outcomes, workload outputs, and budget information from the City’s Annual Operating Budget. We held numerous discussions with City staff to determine which performance information was most useful and reliable to include in this report. Where possible, we included ten years or more of historical data. We strove to maintain consistency with prior years’ reports by including most of the same performance indicators; however, due to issues such as reporting and program updates, some indicators have changed.

We welcome input from City Council, City staff, and the public on how to improve this report in future years. Please contact us with suggestions at city.auditor@sanjoseca.gov.

COMPARISONS TO OTHER CITIES

Where possible and relevant, we have included benchmark comparisons to other cities (usually other large California cities, the state, or the nation). It should be noted that we took care to ensure that performance data comparisons with other cities compare like with like; however, other cities rarely provide exactly the same programs or measure data with exactly the same methodology.

ROUNDING & INFLATION

For readability, many numbers in this report are rounded. In some cases, tables or graphs may not add to 100 percent due to rounding. Financial data have not been adjusted for inflation. Please keep in mind inflation (in the table of San Francisco Area Consumer Price Index for All Urban Consumers below) when reviewing historical financial data included in this report.

Year	Index
2013-14	253.3
2022-23	340.1
% change in last 10 years	34.3%

Source: Bureau of Labor Statistics, based on June 2014 and June 2023

