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BACKGROUND

This is the ninth annual report City Auditor's 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, 2016. 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 be of general interest to the public.

This report also includes the results of a resident survey, completed in November 2016, 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 for all users. The report provides three types of comparisons when available: historical trends, selected comparisons to other cities, and selected comparisons to stated targets.

After completing the first annual report on the City's Service Efforts and Accomplishments, the City Auditor's Office published [Performance Management And Reporting In San José: A Proposal For Improvement](#), which included suggestions for improving quality and reliability of performance and cost data. Since issuing that report we have worked with the Budget Office to assist a number of City departments in improving their measures. We will continue to work with departments towards improving their data as requested.

The first section of this report contains information on the City's financial condition; operating budget and staffing; and resident perceptions of the City, City services, and City staff. 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
- 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 is the oldest city in California; established as El Pueblo de San José de Guadalupe on November 29, 1777— 73 years before California achieved statehood. San José is a charter city, operating under a council/manager form of government. There is an 11-member City Council and many Council-appointed boards and commissions.* The Mayor is elected at large; Council members are elected by district (see map).

There were 20 City departments and offices during fiscal year 2015-16. 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.

Each spring the Mayor gives a State of the City address which sets priorities for the year. The priorities for 2016 were to:

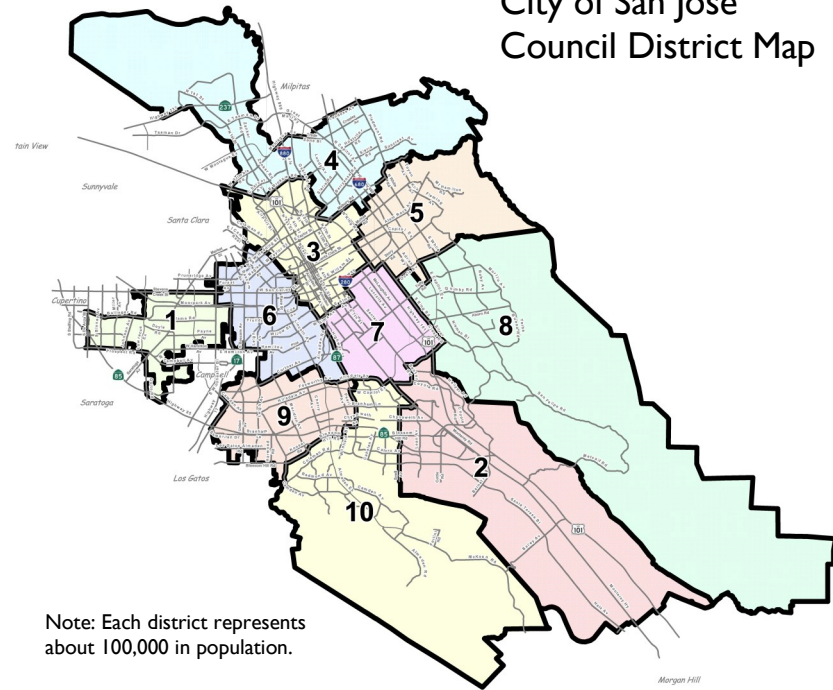
- Improve public safety
- Broaden economic opportunity
- Expand job training
- Reduce street homelessness
- Invest in transit and transportation infrastructure
- Expand citizen participation
- Make San José a Global Demonstration City

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

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 each month.

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

City of San José
Council District Map



Note: Each district represents about 100,000 in population.

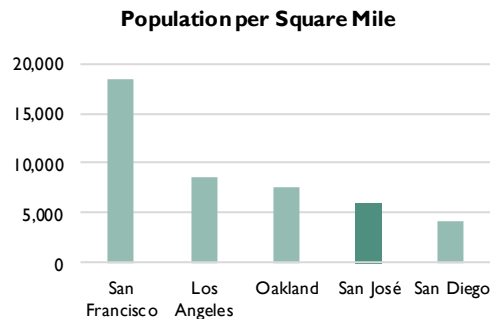
City Council Committees:

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

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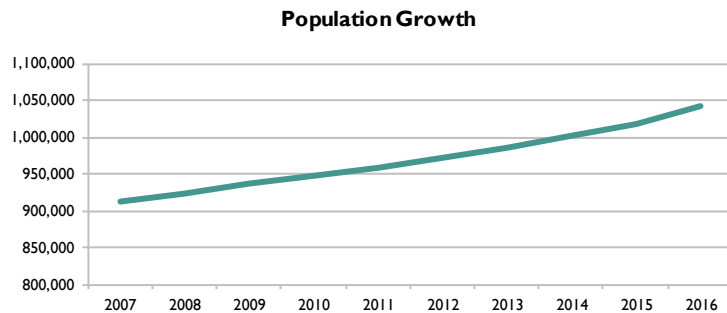
COMMUNITY PROFILE

San José, with a population of 1,042,094 is the tenth largest city in the United States and the third largest city in California. However, it ranks 62nd in population density for large U.S. cities. The City covers approximately 179 square miles at the southern end of the San Francisco Bay. For comparison, San Francisco covers 47 square miles with a population of 866,583. Originally an agricultural community, San José is now in the heart of Silicon Valley, so called in reference to the many silicon chip manufacturers and other high-tech companies.



THE POPULATION IS STEADILY INCREASING

San José grew from a population of about 913,000 in 2007 to just over 1,040,000 in 2016, an approximately 12 percent increase in population over the last ten years. Unless otherwise indicated, this report uses population data from the California Department of Finance. In some cases we have presented per capita data in order to adjust for population growth.



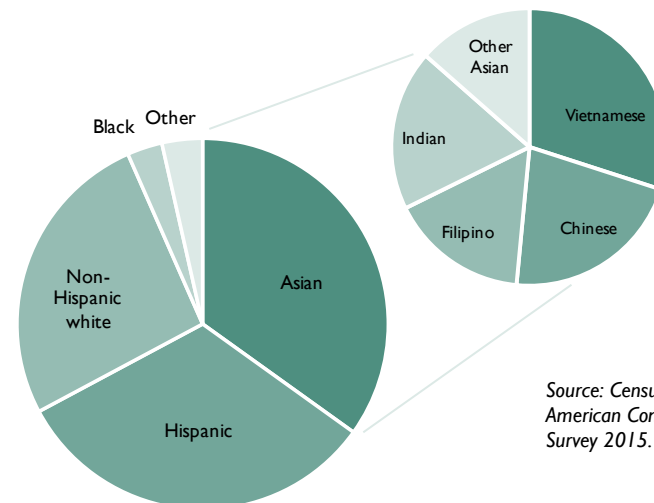
Source: California Department of Finance E-4 Population Estimates for Cities, Counties, and State.

THE CITY'S RESIDENTS ARE DIVERSE

The City of San José serves one of the most ethnically diverse populations in California. The demographics of San José are important because they influence the type of services the City provides and residents demand.

According to the 2015 American Community Survey, the estimated ethnic break-down of residents was:

Ethnic Group	Estimated Total	% of Pop.
Asian	358,104	35%
Vietnamese	107,306	10%
Chinese	77,156	8%
Indian	67,075	7%
Filipino	58,068	6%
Other Asian	22,441	5%
Hispanic	331,232	32%
Non-Hispanic white	268,948	26%
Black	31,414	3%
Other	36,254	4%



Source: Census Bureau's American Community Survey 2015.

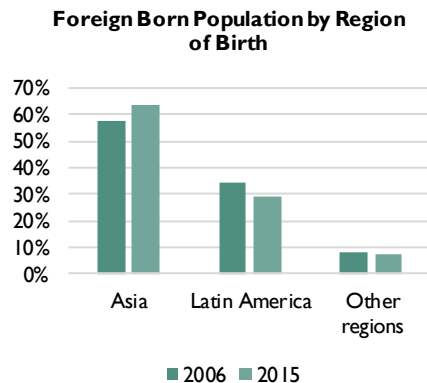
MANY RESIDENTS ARE FOREIGN BORN

San José also has a high number of foreign born residents. According to the 2015 American Community Survey; nearly 40 percent of San José residents were foreign born. Of those identifying as foreign born, 64 percent were born in Asia and 29 percent were born in Latin America. About 18 percent of residents are not U.S. citizens. Approximately 57 percent of San José residents speak a language other than English at home, and 25 percent of the population identifies as speaking English less than “very well.” The estimated break-down of languages spoken at home are as follows:

Language	Estimated Total	% of Pop.
English only	410,063	42.8%
Asian or Pacific Islander	251,518	26.3%
Spanish	221,488	23.1%
Other Indo-European	63,109	6.6%
Other	11,483	1.2%

Source: Census Bureau’s American Community Survey 2015.

Despite the growth in population, the proportion of foreign born residents is about the same as it was ten years ago—though there has been a slight demographic shift within the foreign born population. The percentage of residents born in Asia has increased slightly from 2006, while the percentage of residents born in Latin America has decreased.



Source: Census Bureau’s American Community Survey 2015.

According to the 2006 and 2015 American Community Surveys, the proportions of the City’s residents who are not U.S. citizens, speak a language other than English at home, or speak English less than “very well,” are about the same as they were ten years ago.

Total Population	2006	2015
Foreign born	39%	39%
Not U.S. citizens	20%	18%
Speak a language other than English at home	56%	57%
Speak English less than very well	26%	25%

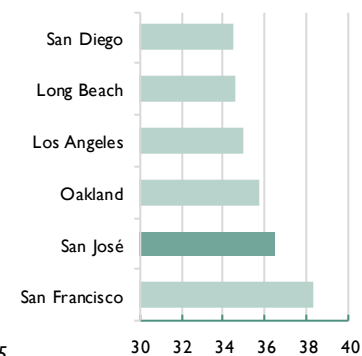
Source: Census Bureau’s American Community Survey 2015.

THE MEDIAN AGE IS 36.5 YEARS

The City’s population ranges in age, with a median age of 36.5 years. This is 1.5 years older than the median age of the population in 2006. San José’s median age of residents is relatively higher than other California jurisdictions with the exception of San Francisco.

Resident Age	Estimated Total	% of Pop.
under 5 years	69,258	7%
5-19 years	189,641	18%
20-34 years	230,258	22%
35-44 years	148,411	14%
45-54 years	148,355	14%
55-64 years	120,332	12%
65-74 years	69,903	7%
75 or more years	50,761	5%
Median Age	36.5 years	

Median Age of Residents



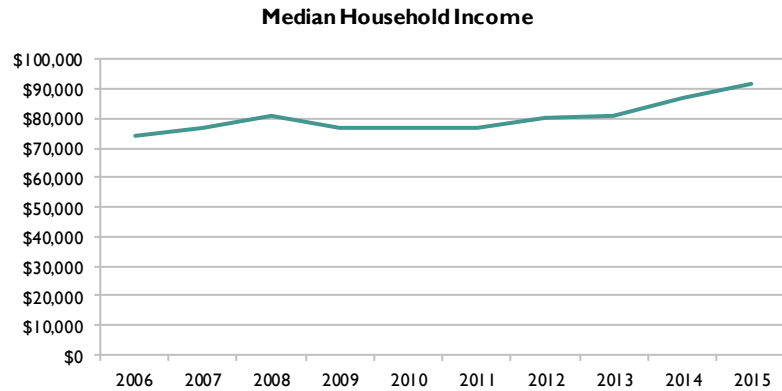
Source: Census Bureau’s American Community Survey 2015.

According to the county registrar, approximately 83 percent of the 875,000 registered voters in Santa Clara County voted in the last presidential election (November 2016).

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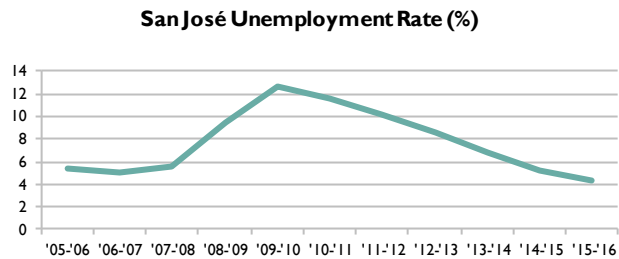
MEDIAN HOUSEHOLD INCOME HAS INCREASED

Median household income reached over \$91,000 in 2015. According to the resident survey, about 28 percent of respondents thought that the economy would have a positive impact on their income over the next six months—down from 37 percent last year. (See the Resident Survey chapter for more information on the survey.)



Source: Census Bureau's American Community Survey 2015.

San José's unemployment rate has declined since reaching a high of about 12.6 percent in 2009-10. For 2015-16, it was approximately 4.3 percent.



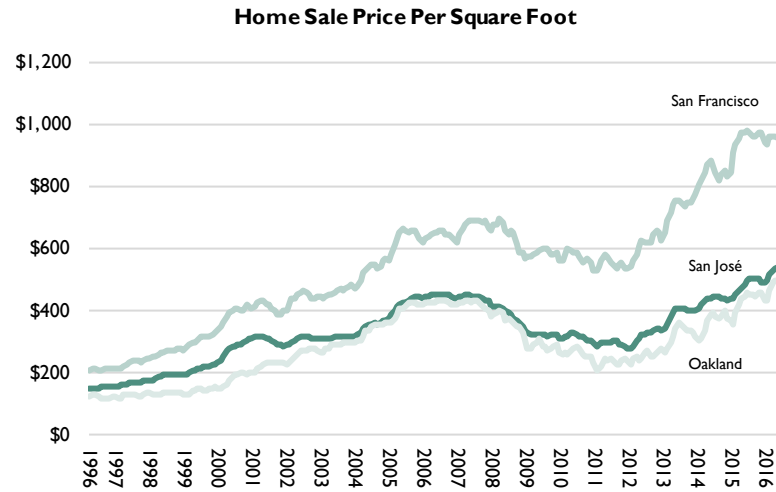
Source: Bureau of Labor Statistics.

The largest occupation groups are education and health services (18 percent), manufacturing (18 percent), and scientific, professional, and managerial (17 percent).

HOUSING PRICES HAVE ALSO INCREASED

According to the Census Bureau, approximately 57 percent of the housing stock is owner-occupied and 43 percent is renter-occupied. These vary from the national averages: nationwide 63 percent of housing stock is owner-occupied and 37 percent is renter-occupied.

The U.S. Department of Housing and Urban Development defines housing affordability as housing stock which costs less than 30 percent of the occupant's gross income. Based on the 2015 American Community Survey, 30 percent of homeowners and 53 percent of renters report spending more than 30 percent of household income on housing costs.

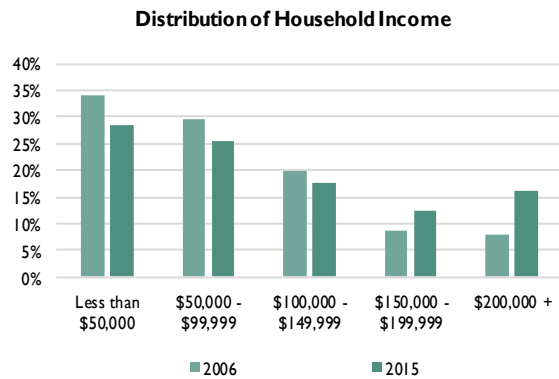


Source: Zillow.com monthly data, March 1996 through September 2016.

The median home price in San José in 2016 was \$920,000 and average monthly rent was about \$2,503. This is up from \$576,000 and \$1,470, respectively from four years ago. This compares with a median existing home value of approximately \$250,000 nationally, according to the National Association of Realtors. For more information on housing and rent burden, see our [2016 Audit on the Apartment Rent Ordinance](#).

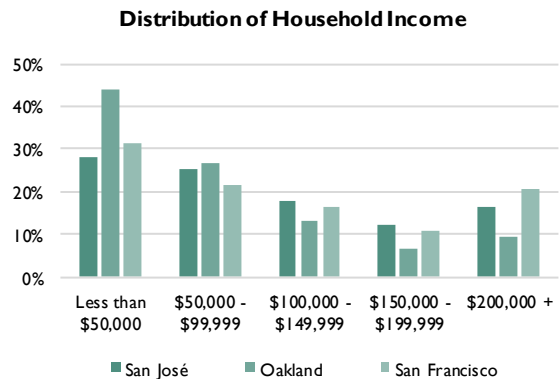
INCOME INEQUALITY PERSISTS

Based on data from the American Community Survey, the distribution of household income in San José has flattened compared to ten years ago. More households reported higher household income than in the past.



Source: Census Bureau's American Community Survey 2015 and 2006.

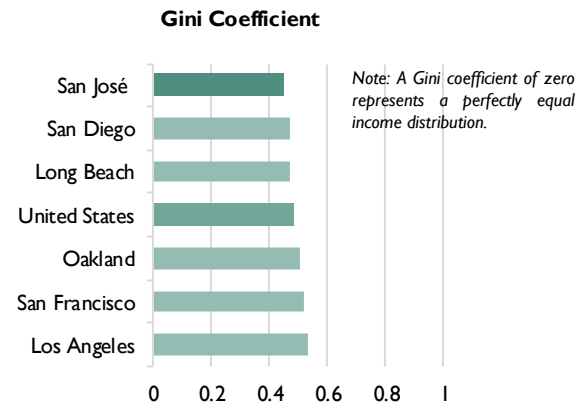
Compared to other Bay Area communities, San José has proportionally fewer households making less than \$50,000 per year and proportionally more making \$100,000 to \$150,000 per year. Compared to San Francisco, fewer households in San José earn more than \$200,000 per year.



Source: Census Bureau's American Community Survey 2015.

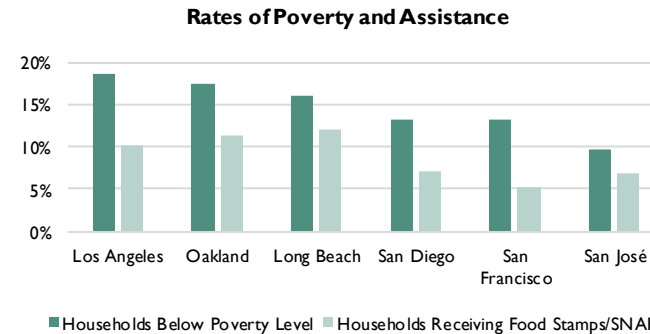
* By comparison, the Census Bureau's national poverty threshold for an individual was around \$12,000 in 2015. Both the living wage and poverty threshold vary based on the number of individuals in a household. For example, for a family of four, with two children, the poverty threshold was \$24,036.

The Gini coefficient is commonly used to assess the income equality of an area. The closer the coefficient is to zero, the more equal the distribution of income is. According to the Census Bureau, San José has a lower Gini coefficient than those of comparison cities in California, and the United States generally.



Source: Census Bureau's American Community Survey 2015.

However, income inequality in San José persists. According to [the Living Wage Calculator](#), a living wage in the San José metropolitan area was just over \$30,000 in 2015. This represents the typical expenses of a single, working adult for a year and includes such annual expenses as food, housing, and transportation.* In 2015, 20 percent of San José households earned less than \$35,000. About ten percent of the population lived below the poverty threshold.



Source: Census Bureau's American Community Survey 2015.

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SCOPE & METHODOLOGY

The City Auditor’s Office prepared this report in accordance with the City Auditor’s FY 2016-17 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 independent auditors in 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. 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.

SERVICE EFFORTS & ACCOMPLISHMENTS

This *Annual Report on City Services* summarizes the service efforts and accomplishments of the City of San José. The Government Accounting Standards Board (GASB) has been researching and advocating Service Efforts and Accomplishments (SEA) reporting for state and local government for many years to provide government officials and the public with information to supplement what is reported in annual financial statements. Financial statements give users a sense of the cost of government service, but do not provide information on the efficiency or effectiveness of government programs. SEA reporting provides that kind of information, and enables government officials and the public to assess how well their government is achieving its goals.

SELECTION OF INDICATORS

This report relies on existing performance measures, reviewed yearly by Council, staff, and interested residents during the annual budget study

sessions. It also relies on existing benchmarking data. We used audited information from the City’s Comprehensive Annual Financial Reports (CAFRs). 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 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, most 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
2006-07	216.1
2015-16	266.0
% change in last 10 years	23.1%

Source: Bureau of Labor Statistics, based on June 2007 and June 2016.