



## Annual Report on City Services 2015-16

The Office of the City Auditor is pleased to present the ninth 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 1,042,000, 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 4.3 percent in 2015-16, down from a high of 12.6 percent in 2009-10. Median income increased in 2015, reaching \$91,000; however, income inequality persists with 20 percent of households earning less than \$35,000.

### Resident Survey

2016 marked San José’s sixth year of participation in The National Citizen Survey.<sup>TM</sup> 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 more than 60 percent of residents rated their own neighborhoods as good or excellent places to live and 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. Declines were noticeable in ratings of the overall feeling of safety, the appearance and cleanliness of San José, and the overall quality of services provided by the City. Nearly every City service received similar or lower ratings from respondents compared to the prior year. For many services, ratings have been steadily declining for the past six 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-four percent of respondents felt it was essential or very important for San José to focus on the overall feeling of safety. Ninety percent thought it was essential or very important that San José focus on the overall economic health of the City.

## Financial Condition

In February 2016, this Office published a report on the City's financial condition which used information from the City's audited financial statements to present ten different aspects of the City's finances. It did not provide a grade on the City's overall financial condition, but provided information about trends over time and comparisons with six other California cities. This report includes updated information on those aspects and comparisons.

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. The amount of money the City has in cash and investments has increased in recent years and the City had an above average ratio of cash to liabilities compared to other cities. San José is the only city surveyed that had its capital assets decrease in value. The City's amount of bonded debt per resident has declined in recent years and is mid-range of other cities surveyed, but the City also faces an estimated \$1.1 billion deferred maintenance and infrastructure backlog and a \$3.7 billion unfunded liability for pension and retiree health benefits (the City's contributions for pension and retiree health benefits totaled \$314 million in 2015-16; employees contributed an additional \$73 million).

## Operating Budget and Staffing

In 2015-16, the City's departmental operating budgets totaled \$1.69 billion\*, or about \$1,622 per resident. Three departments (Police, Fire, and Environmental Services) accounted for nearly half of all departmental operating budgets.

As a result of steady increases in revenues from a stronger economy, the City saw a projected General Fund surplus for only the third time in the past ten years. This allowed the City to provide limited service level enhancements and infrastructure investments. For example, the City added 22 Community Service Officers in the Police Department and made other public safety investments, expanded branch Library hours, and added additional funding to pave and repair streets throughout the City. 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.

Over the last decade, the City was forced to reduce many City programs including a significant reduction in staff (15 percent over the last ten years). San José now employs about 5.7 people per 1,000 residents—fewer than its 29-year average of 7.1 and fewer than any other large California city we surveyed. In 2015-16, the City provided incremental increases in employee compensation in order to remain a competitive employer; however, on average about 12 percent of the positions in the City were vacant during the year (as of June 30, 2016 there were nearly 800 vacancies).

## Major Service Results and Challenges in 2015-16

The City of San José provides a wide array of services that City residents, businesses, and other stakeholders count on. Performance highlights include:

- The Police Department initiated or received about 1,036,000 calls for service, slightly down from the prior year. The average response time for Priority 1 calls was 7.3 minutes, slower than the department's target of 6 minutes. The response time for Priority 2 calls was 19.5 minutes, much slower than the target of 11 minutes. Over the past ten years, the number of sworn officers has decreased. As of June 2015, only 819 of the 1,107 authorized sworn positions were filled with street ready sworn officers; 218 sworn positions were vacant. San José's rate of major crimes per 100,000 residents has decreased since a spike in 2012 and was below state and national averages. However, just one third of residents reported an overall excellent or good feeling of safety. The majority of residents, 75 percent, feel very or somewhat safe in their neighborhoods during the day but only 16 percent feel the same way in downtown at night. Over the past several years, ratings of Police services have declined; in 2016 only 29 percent of residents rated the quality of Police services as good or excellent, and only 14 percent of respondents rated the quality of crime prevention as good or excellent.

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

- The Fire Department responded to 87,000 emergency incidents in 2015-16. This included 54,000 medical incidents, 2,000 fires, and 31,000 other calls (such as rescues, Haz Mat incidents, and good intent responses). The Department responded to 71 percent of Priority I incidents within 8 minutes. This is below the target of 80 percent compliance but higher than the 68 percent compliance two years ago. The Department met its Priority I time target for dispatch time; however, it met its turnout time standard for only 72 percent of Priority I incidents and its travel time standard for only 47 percent of Priority I incidents (target: 80 percent for each). Only two stations met the Priority I response standard of 8 minutes for 80 percent of incidents. Seventy-five percent of residents rated fire services as good or excellent, and 71 percent of residents gave similar ratings for emergency medical services. Only 46 percent of residents rated fire prevention and education as good or excellent.
- The City has 51 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 190 neighborhood parks, including the recently opened River View Park, Orchard Park, and Vista Montana. Eighty-eight percent of residents reported having visited a park at least once in the last year. Estimated participation in City-run recreation programs totaled 763,000. More than 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.
- The City increased branch library hours in 2015-16 to 47 hours per week from 33 or 34 hours in recent years. The Dr. Martin Luther King, Jr. main library was open 77 hours per week during the academic year. Circulation and visitation varied across library branches. Total visitation was up 13 percent from the prior year; however, circulation was down slightly. Sixty-two percent of residents indicated that they or someone in their household had used a library in the past year and 74 percent rated library services as good or excellent.
- San José remains one of the least affordable cities in the country with 95 percent of residents rating the availability of affordable quality housing as only fair or poor. The City's 2015 Homeless Census identified 4,063 homeless individuals, roughly a third of whom were deemed chronically homeless. Partnering with other agencies, the Housing Department assisted 900 homeless individuals into permanent housing in 2015-16.
- Despite significant increases over the past ten years, stormwater rates remained unchanged in 2015-16; sewer rates decreased slightly and garbage/recycling rates increased slightly. 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 by 27 percent from the prior year. In April 2015, the City Council approved a 30 percent water conservation target that extended through the end of the fiscal year.
- The City's permit center served about 33,000 customers. Building activity has remained high (13.3 million square feet of construction with a the value of \$1.5 billion). While the number of building permits issued has returned to pre-recession levels, the number of development staff has not. The City met its timeliness targets for only one 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 2015-16, they inspected about 1,200 buildings that cumulatively had about 5,000 housing units. Fifteen percent of residents rated code enforcement as good or excellent—one of the lowest ratings of any City service.
- Although the Airport saw an increase in passengers from the prior year, the 10.2 million passengers served was down 4 percent from ten years ago. There were over 96,000 passenger flights (takeoffs and landings), or about 260 per day. While the number of passengers in the region has grown over the past ten years, the Airport's market share has declined 22 percent from ten years ago to 14 percent in 2015-16. Operating revenues have grown in recent years and totaled \$142 million in 2015-16. Annual debt service is \$97.6 million, as a result of the completion of the Airport modernization and expansion. Seventy-four 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 2015—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 10,000 potholes and patching damaged areas. Only 12 percent of residents rated street repair as good or excellent—the lowest rating of any City service.

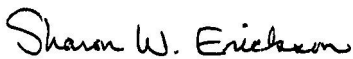
Additional information about other City services is included in the report.

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](http://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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