

INTRODUCTION

Background
Community Profile
Scope and Methodology

INTRODUCTION

BACKGROUND

This is the eleventh Annual 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, 2018. 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 resident survey, completed in October 2018, rating the quality of City services.

All operational 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.

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. San José contains 240 schools. Seventeen public school districts serve the City's children.

The first section of this report contains information on resident perceptions of the City, City services, and City staff; the City's financial condition; and the City's operating budget and staffing. 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
- 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

The new Community Energy Department was created in August 2017. Currently, the Department procures clean power for the City. It will begin serving residents and businesses in February 2019. We have incorporated information about its budget and staffing in the Citywide summary. In future reports, when the City's community choice energy program is fully operational, we will include a chapter on the Department's performance.

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 was 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 21 City departments and offices during fiscal year 2017-18. 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. In 2017-18, the City Council voted to create a new Department of Community Energy and to move the Office of Emergency Services from the Fire Department to the City Manager's Office, renaming it the Office of Emergency Management.

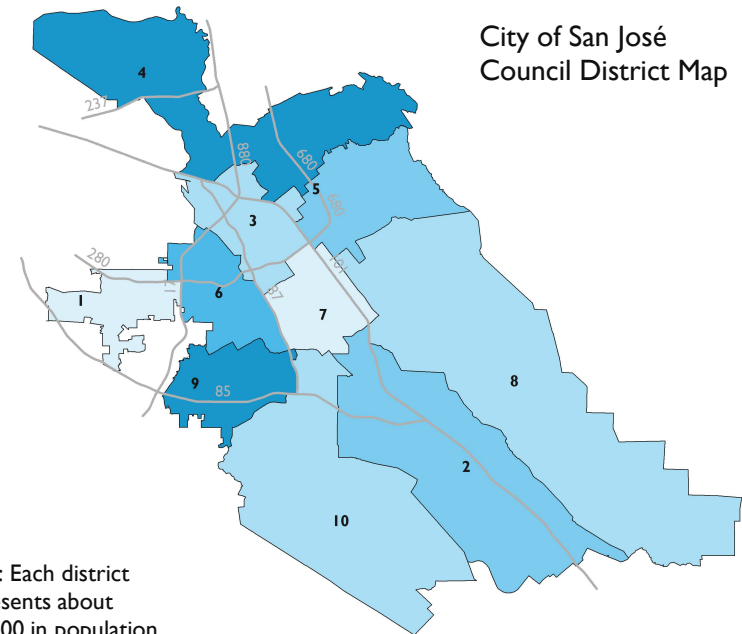
Some departments and programs serve expanded service areas. These departments include Environmental Services, Public Works, and the Airport. For example, the San José/Santa Clara Regional Wastewater Facility is co-owned by the cities of San José and Santa Clara and provides service to those cities as 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 2018 were to:

- Build more affordable housing,
- Restore and enhance City services,
- Facilitate new job growth,
- Fight climate change, and
- Invest in transit and transportation infrastructure.

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](#).



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

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.

City Council Committees:

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

INTRODUCTION

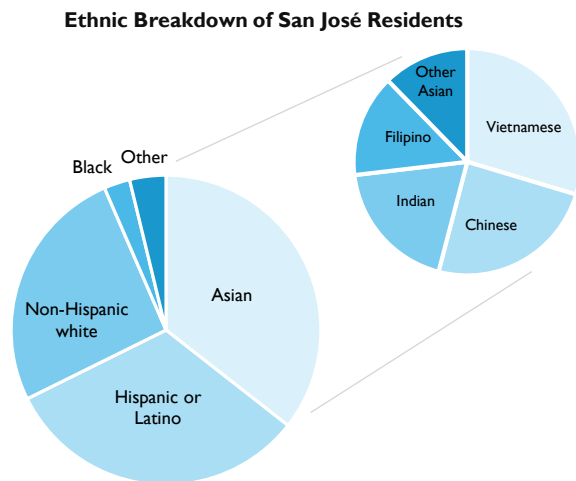
COMMUNITY PROFILE

San José, with a population of 1,051,316, is the tenth largest city in the United States and the third largest city in California. However, San José ranks low in population density. The City covers approximately 181 square miles at the southern end of the San Francisco Bay. By comparison, San Francisco covers 47 square miles with a population of 883,963.

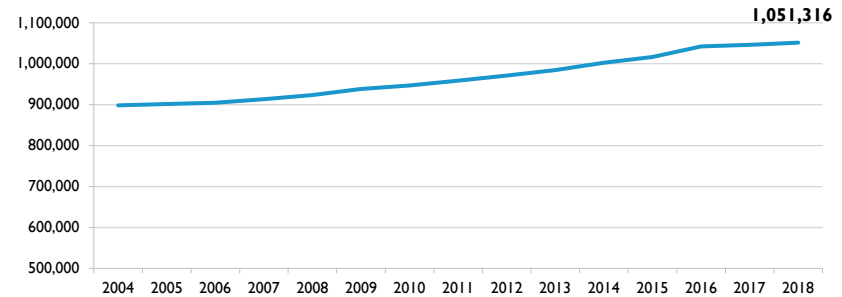
San José's population has been growing over the past decade, though its growth has slowed slightly. San José grew from a population of about 923,000 in 2008 to just over 1,050,000 in 2018, a 14 percent increase. The population grew by 5,000, a 0.5 percent increase from last year. (Unless otherwise indicated, 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 in order to adjust for population growth.)

THE CITY'S RESIDENTS ARE DIVERSE

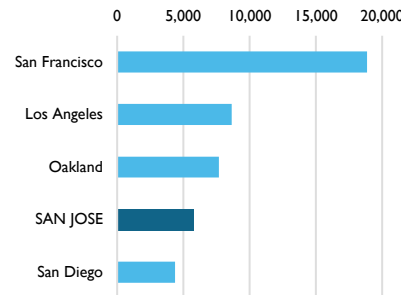
The City of San José serves an ethnically diverse population. The demographics of San José are important because they influence the type of services the City provides and residents demand.



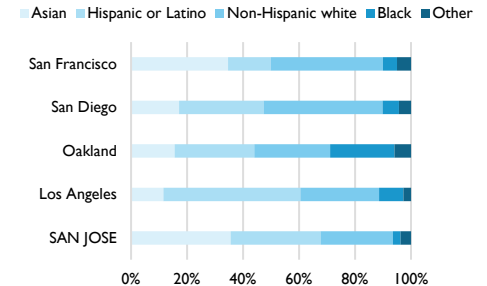
San José's Population Growth



Population per Square Mile



Population by Ethnicity



MANY RESIDENTS ARE FOREIGN BORN

San José also has a high number of foreign born residents; roughly 40 percent of residents in 2017. Of those identifying as foreign born, a majority were born in Asia and about a quarter were born in Latin America. About 17 percent of residents are not U.S. citizens. Approximately 58 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.”

Despite the overall 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, while the percentage of residents born in Latin America has decreased.

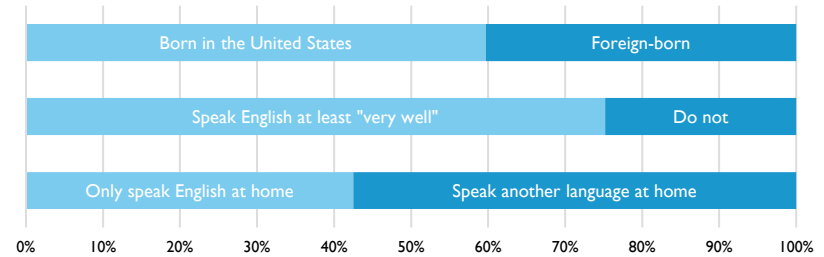
The proportion of the City's residents that speak a language other than English at home has increased in the past ten years, though the number that report they speak English less than “very well” is about the same as it was ten years ago. The proportion of the City's residents who are not U.S. citizens is also about the same as it was ten years ago.

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

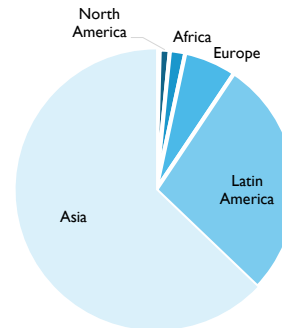
The City's population ranges in age, with a median age of 36.8 years. This is 1.2 years older than the median age of the population in 2008.

According to the County Registrar, approximately 71 percent of the 886,000 registered voters in Santa Clara County voted in the last midterm election (November 2018).

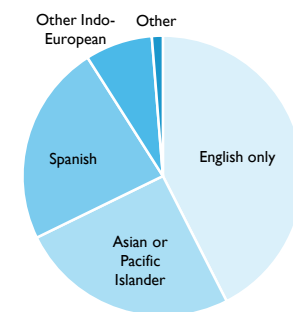
Characteristics of San José Residents



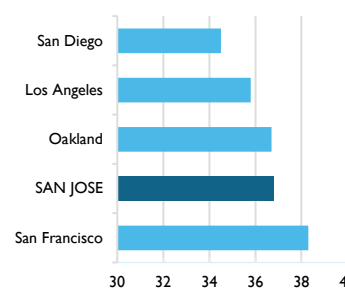
Foreign Born Population by Region



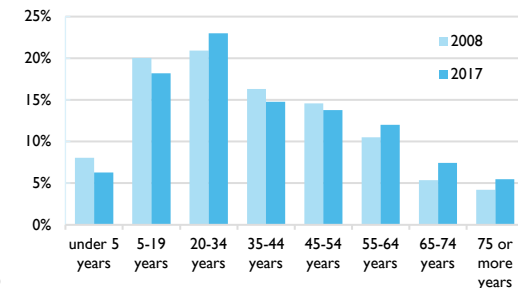
Languages Spoken at Home



Median Age of Residents



Resident Age



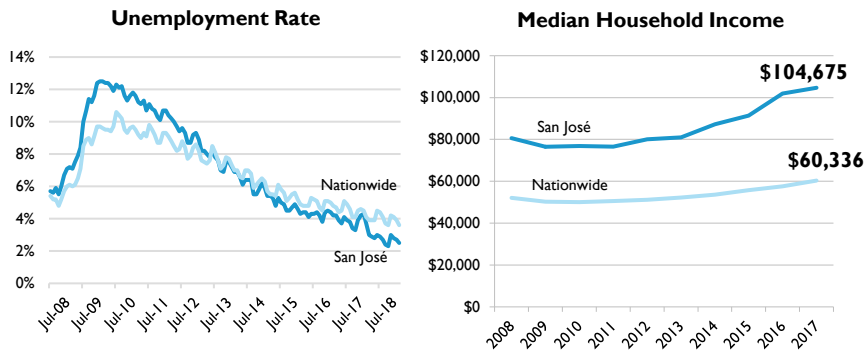
INTRODUCTION

MEDIAN HOUSEHOLD INCOME HAS INCREASED

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 largest occupation groups in the City are: educational services, healthcare and social assistance (19 percent); professional, scientific, and management (18 percent); and manufacturing (16 percent).

San José’s unemployment rate has declined since reaching a high of about 12.6 percent in 2009-10. For 2017-18, it was approximately 3 percent, lower than the unemployment rate nationwide. According to the 2018 Silicon Valley Index, job growth slowed in the Bay Area in 2016 and 2017, though average annual earnings are at a record high.

In San José, median household income rose to nearly \$105,000 in 2017. According to the resident survey, about 33 percent of respondents thought that the economy would have a positive impact on their income over the next six months—slightly more than last year. (See the Resident Survey chapter and Economic Development chapter for more information.)

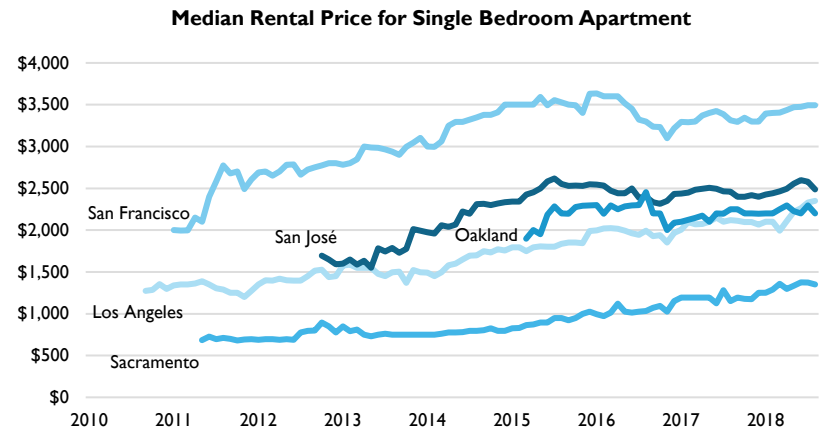


HOUSING PRICES HAVE ALSO INCREASED

According to the Census Bureau, approximately 57 percent of the housing stock is owner-occupied and 43 percent is renter-occupied in San José. These vary from the national averages: nationwide 63 percent of housing stock is owner-occupied and 37 percent is renter-occupied. These figures have stayed steady in the past year.

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. In San José, 35 percent of homeowners and 52 percent of renters report spending more than 30 percent of household income on housing costs.

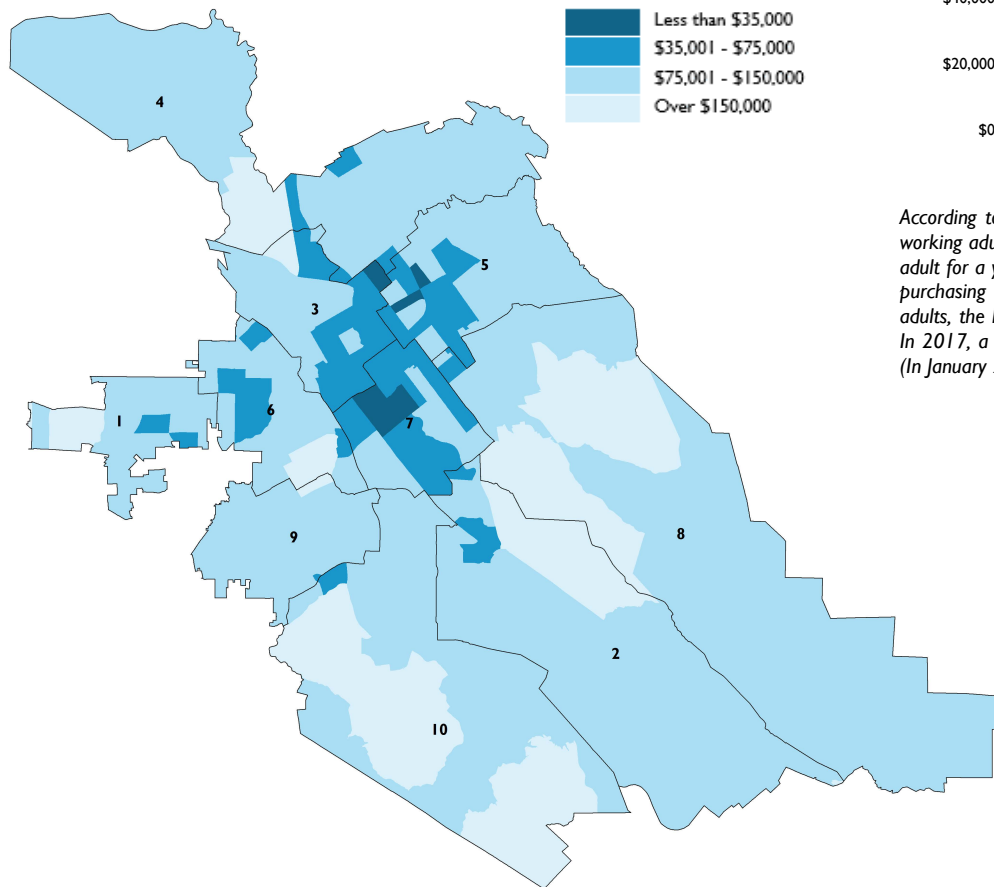
The median home price in San José in 2017-18 was \$1,225,000 and average monthly rent for all unit types was about \$2,497. This is up from \$720,000 and \$1,841 respectively, from six years ago. This also marks the first year that median home price in San José exceeded the million-dollar mark. This compares with a median existing home value of approximately \$247,000 nationally, according to the National Association of Realtors. For more information on housing and rent burden, see our [2016 Audit of the Apartment Rent Ordinance](#).



DESPITE HIGH INCOMES, MANY RESIDENTS MAY EXPERIENCE ECONOMIC DISTRESS

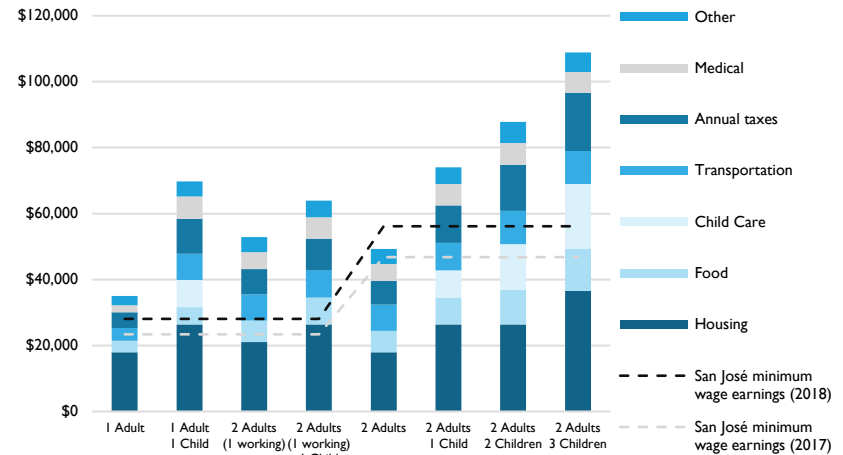
The cost of living in San José is among the highest in the country. About 16 percent of households earned less than \$35,000 in income and benefits, and 17 percent of the population received supplemental income or public assistance. An estimated 4,350 residents are homeless, around 3,200 (74 percent) are unsheltered—that is, not in an emergency shelter or transitional housing (for more information, see the Housing chapter, as well as our [2018 Audit of Homelessness Assistance Services](#)).

Map of Median Household Income



Source: U.S. Census Bureau, American Community Survey, 2017 5-year estimates (Table S1903).

Estimated Minimum Annual Living Expenses in San José - Sunnyvale - Santa Clara Metropolitan Area (2017)



According to [the Living Wage Calculator](#), a living wage in the San José metropolitan area for a single, working adult was just over \$35,000 in 2017. This represents estimated minimum expenses for a single adult for a year, including food, housing, and transportation. It does not include savings for retirement or purchasing a home, for example. For a family of four in San José, with two children and two working adults, the living wage calculation was nearly \$88,000 in household income, or \$44,000 for each adult. In 2017, a full-time, minimum-wage employee in San José would have earned just over \$23,000 a year. (In January 2018, the minimum wage increased to \$13.50 per hour, or just over \$28,000 a year.)

INTRODUCTION

SCOPE & METHODOLOGY

The City Auditor’s Office prepared this report in accordance with the City Auditor’s FY 2018-19 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 advocated Service Efforts and Accomplishments (SEA) reporting for state and local government 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, most of which are reviewed yearly by Council, staff, and interested residents during the annual budget process. 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 |
|---------------------------|-------|
| 2008-09 | 225.7 |
| 2017-18 | 286.1 |
| % change in last 10 years | 26.7% |

Source: Bureau of Labor Statistics, based on June 2009 and June 2018.