San Joaquin LAFCO
Local Agency Formation Commission
The Gateway County

Balancing Community and Commerce

44 N. SAN JOAQUIN STREET SUITE 374 STOCKTON, CA 95202 209-468-3198

MEETING AGENDA

THURSDAY, NOVEMBER 12, 2026, 9:00 A.M.
BOARD OF SUPERVISORS CHAMBERS
44 NORTH SAN JOAQUIN STREET, 6TH FLOOR
STOCKTON, CALIFORNIA

Call to Order
Announce Date and Time of Meeting for the Record
Roll Call
Pledge of Allegiance

CONSENT ITEMS

1. SUMMARY OF MINUTES OF SEPTEMBER 10, 2026
   (*Possible Discussion and Possible Action by All Members)*
   Approve Summary Minutes of the Regular Meeting.

PUBLIC HEARING ITEMS

2. CITY OF STOCKTON'S DRAFT MUNICIPAL SERVICE REVIEW (MSR) AND SPHERE OF INFLUENCE (SOI) UPDATE
   (Possible Discussion and Possible Action by Regular Members)
   The Commission will review and take action on the staff recommendation to adopt the City of Stockton's MSR and SOI

3. PROPOSED POLICIES AND PROCEDURES
   (*Possible Discussion and Possible Action by All Members)*

   A. Financial and Accounting Procedures
      1. Contingency Fund
      2. Annual Audit
      3. Mid-Year Budget
      4. Fee Reduction / Waiver Policy

   B. Sphere of Influence

   C. Conflict of Interest

   D. Code of Ethics

E. Duties of the Executive Officer

F. San Joaquin LAFCo Employee Handbook

PUBLIC COMMENTS

3. Persons wishing to address the Commission on matters not otherwise on the agenda.

Public Comments on matters within the jurisdiction of the San Joaquin Local Agency Formation
Commission that are not listed on the Agenda. Please no personal attacks.

Written public comments will not be read during the Public Comment period. Written public comments submitted prior to the meeting will be routed to the Commission. All written public will be made part of the official record on file.

EXECUTIVE OFFICER COMMENTS

4. Comments from the Executive Officer

COMMISSIONER COMMENTS

5. Comments, Reports, or Questions from the LAFCO Commissioners

ADJOURNMENT

* * * *

DISCLOSURE OF BUSINESS OR CAMPAIGN CONTRIBUTIONS TO COMMISSIONERS

Government Code Section 84308 requires that a Commissioner (regular or alternate) disqualify herself or himself and not participate in a proceeding involving an "entitlement for use" application if, within the last twelve months, the Commissioner has received **$500 or morein business or campaign contributions from an applicant, an agent of an applicant, or any financially interested person who actively supports or opposes a decision on the matter.** A LAFCo decision approving a proposal (e.g., for an annexation) will often be an "entitlement for use" within the meaning of Section 84308. Sphere of Influence determinations are exempt under Government Code Section 84308.

If you are an applicant or an agent of an applicant on such a matter to be heard by the Commission and if you have made business or campaign contributions totaling $250 or more to any Commissioner in the past twelve months, Section 84308(d) requires that you disclose that fact for the official record of the proceeding. The disclosure of any such contribution (including the amount of the contribution and the name of the recipient Commissioner) must be made either: l) In writing and delivered to the Secretary of the Commission prior to the hearing on the matter, or 2) By oral declaration made at the time the hearing on the matter is opened. Contribution disclosure forms are available at the meeting for anyone who prefers to disclose contributions in writing.

Agenda Item 1

Balancing Community and Commerce

5000 S. AIRPORT WAY □ SUITE 209 □ STOCKTON, CA 95206 □ 209-953-7646

SUMMARY MINUTES
September 10, 2026

BOARD OF SUPERVISORS CHAMBERS
44 NORTH SAN JOAQUIN STREET, 6TH FLOOR
STOCKTON, CALIFORNIA

Chair Ding called the meeting to order at 9:00 a.m.

MEMBERS PRESENT:	Commissioners, Diallo, Gardea Johnson, and Chair Ding
MEMBERS ABSENT:	Commissioner Barton
ALTERNATE MEMBERS PRESENT:	Commissioners Arriola, Dhatt and Dhaliwal
ALTERNATE MEMBERS: ABSENT	None
OTHERS PRESENT:	J.D. Hightower, Executive Officer; Nubia Goldstein Legal Counsel; and Claudia Iboa, Administrative Assistant

CONSENT ITEMS

1. The Chair introduced Agenda Item No. 1, Summary of Minutes and Agenda Item

Chair Ding opened the floor to Commissioner Comments.

No comments were made

Chair Ding opened the floor to public comments.

No comments were made

Chair Ding asked for a Roll Call Vote:

A motion was made by Commissioner Johnson and seconded by Commissioner Gardea to approve the Consent Items

Ayes: Commissioners Arriola, Gardea, Dhatt, Dhaliwal, Diallo Johnson and Chair Ding

Abstain: None

Absent: Commissioner Barton

PUBLIC HEARING

Draft Service Review for the Rural Fire Protection Districts.

2. J.D. Hightower, Executive Officer, stated that the purpose of the agenda item is to receive information regarding the draft Rural Fire Protection Districts Service Review and close the public review comment period for the draft service review. Some comments were received and collected as part of the service review for rural fire services in San Joaquin.

Explained that the service review is at step four of process of six steps agency and public review (Draft Phase).

Brandon Fender, RSG Senior Associate, introduced himself and noted that he was joined by Jillian Glickman of RSG and Bill Gilespie of Planwest Fire Specialists. He stated that RSG and Planwest had a long history of working with LAFCOs, cities, counties, and special districts throughout the state. Mr. Fender explained that Planwest had been operational since 1997 and had provided environmental, economic, transportation and community services. He stated that the presentation would cover multiple municipal services reviews and municipal updates. The purpose of municipal service review and sphere of influence update is to inform the public. It is a comprehensive document that had been posted on the LAFCO website and was available to the public. The document also served as a resource for commissioners and the public to better understand the services provided by local service providers.

Jillian Glickman, RSG, presented her presentation, which is attached.

Commissioner Gardea asked whether there is any difference in the data between the previous MSR and the current MSR.

JD Hightower, Executive Officer LAFCO, stated that the comparison was made to the last Sphere of Influence and noted that much of the information is from the 2011 MSR.

Chair Ding opened the floor to Public Comments

Matthew Duaime, Chief Administrative Officer, and Board Clerk for the Eastside Rural County Fire Protection District, stated he requested that some errors be corrected and that the MSR be made accurate.

Chair Ding stated that he wanted to ensure there was sufficient data when the MSR came in. He explained that purpose was to gather data and then return to the Chiefs to ensure everything is included in the report.

Scott Grafius, Director, Lincoln Rural Fire Protection District explained that during a fire or medical emergency, having additional firefighters allowed two firefighters to enter the building while two remained outside for support. He stated that with only three firefighters on a truck, they could not enter until another truck arrived. Mr. Grafius said having additional firefighters is important to the area and noted that the district was a nonprofit organization and that the MSR was a permanent document, so it was important to make sure the information was accurate. He stated that they wanted to make sure they were in the same category and were not running out of funding. He requested that the MSR be accurate and that they did not want footnotes. He expressed his appreciation for the work being done.

Chief Eric Walder, Waterloo-Morada Fire District, thanked the Commission for including the public review period. He stated that the District had participated in the process and that he had served on the steering committee.

Chief Walder asked for clarification on which comments were received or not received and why some were not accepted. He provided a 10-page document outlining the District's concerns and requested that the comments be made public.

Chief Walder emphasized the need for accurate data and asked that the fire chiefs be given an opportunity to review the MSR after revisions. He stated that Waterloo Morada was not asking LAFCo to avoid difficult decisions, but to ensure the facts were accurate, the record was complete, and affected agencies were heard before decisions were made.

Chief Ed Martel, Montezuma Fire District stated that he reviewed the MSR draft and found some issues with his District. He asked that the issues be corrected to ensure the report was accurate and stated that the report did not address the lack of fire protection in the west side "islands" of San Joaquin County. He noted that this was an important public safety issue because the area included state highways, rivers, and large areas of land.

Chief Mark Weber, Mokelumne Fire District, stated that the District's reviewed the MSR draft and submitted 52 comments regarding inaccurate and incorrect data. He provided additional information from the District to RSG and noted that some of the district's data appeared to have been included incorrectly. Chief Weber asked for clarification on which comments would be corrected. He also provided the LAFCo Executive Officer with a report outlining the District's requested changes. Chief Weber stated that MSR's are important documents that could be used by other agencies, so the information needed to be accurate. He expressed concern about the governance section and requested that the language regarding LAFCo approval of additional services be corrected. Chief Weber emphasized that the District's was

asking for accurate and complete data in the MSR. Fire Chief Marty Cornilsen, French Camp-McKinley Fire District stated that they provided special services and wanted to make sure the information was accurate.

Brett Jolley, Partner Mckinley, Conger, Jolley and Galarneau LLP, stated he is the special counsel for six fire districts: Eastside, French Camp-Mckinley, Lincoln, Mokelumne, and Waterloo-Morada. He noted that the Commission had heard from Chiefs, staff and elected district members regarding errors in the draft MSR. As a council for the six districts, he addressed three legal issues that he stated were common to the Districts for Commission consideration.

We have an issue with the process and some confusion regarding communication. We understood that this was the beginning of the process and that staff were being asked to provide their input as part of the initial review. However, the staff report stated that this was the close of the public comment period and that the public comment process had ended.

The problem is not clear about where we were in the process or whether there would be additional opportunities to address and correct these issues. What happened was that the districts were given portions of the administration's draft MSR to review and provide comments on. The districts submitted their comments during the comment period, which ended in July. The document was then revised into a public draft and published on the 18th, before being made available to everyone else. He asked where they were closing the public comment period and how each district's comments would be reviewed for the final document.

Mr. Jolley said it was important to correct the information because LAFCO decisions became part of the public record. He explained that people who served on public agency boards knew that public comments and evidence were important when making decisions. He said decisions should be based on the information provided. He was concerned that if the information provided by the districts was ignored or not included in the final document, the decision might not have been fully based on that information.

Mr. Jolley said this had been especially important when LAFCo had considered a decision to adopt or modify a Sphere of Influence (SOI). He said the public notice and comment process needed some attention. He stated that the LAFCO notice had not provided notice of this meeting as required under Government Code Section 56160.

Mr. Jolley stated that comments could be mailed to the LAFCO office at the airport. He stated that, since it was 2026, there should have been an option to submit comments electronically on public hearing items.

Finally, the Chiefs mentioned that the MSR ignored the fire protection coverage in the Delta on the west side of the county. They stated that this should have been a concern as part of the MSR, particularly regarding how services were provided to that side of the county, which was considered unprotected. They emphasized that having unprotected areas in the county was not ideal for numerous reasons.

What the Districts were requesting was that the comment period on the MSR not be closed at that time. Instead, they requested that the draft MSR be revised and circulated again to include the corrected facts and data, as well as the comments received that day. They also requested that the analysis be modified accordingly and that, if any comments were rejected, the reasons for rejecting those comments be clearly explained.

Commissioner Johnson thanked everyone for their comments and said the questions raised needed to be addressed. He agreed that the delta area is an unprotected area and supported reviewing the information and correcting the data. He stated that even if everyone did not agree, the reasons for the decisions should be clearly explained.

Commissioner Dhatt asked that the data and information be correct so the Commission could make the right decisions.

Commissioner Diallo stated that it was very important for the consultants to obtain data from the people on the ground. She noted that the fire district in Lathrop was very important to the community and that the consultants should make every effort to obtain the necessary data and have the appropriate conversations. Commissioner Diallo also requested that the comments be addressed, stating that it should not be the responsibility of the fire districts and their boards to provide all the information. She stated that the process should be clear and efficient so they could respond accordingly.

Commissioner Arriola stated that, as an attorney, he was confident about the long-term outlook. He noted that millennials might be less likely to volunteer due to economic challenges, as many were working multiple jobs to make ends meet. He also discussed the pockets on the west side and the fires seen in Tracy, emphasizing the importance of cities working together to protect the west side.

Commissioner Mario Gardea requested that the time be extended.

LAFCo Executive Officer JD Hightower stated that the time extension was acceptable.

Commissioner Johnson thanked everyone who provided comments. He stated that the hearing allowed the Commission to hear concerns and ask questions. He noted that cities were growing and becoming more connected, which could affect the districts in the future. He stated that this was one reason the MSR was important.

Commissioner Gardea asked if LAFCo had a list of the services currently provided. He recommended that the fire chiefs notify LAFCo of any updates or changes to their services.

Commissioner Johnson stated that it was not LAFCo's role to determine which calls should be included in the report. He emphasized that the report needed accurate call volumes and numbers because they were important for making decisions and recommendations.

Chair Ding emphasized the need for accurate data and appropriate response times. He stated that the MSR was not ready to move forward.

Nubia Goldstein, LAFCo Legal Counsel suggested a motion to direct staff to keep comment period open for consideration of comments submitted by districts and other comments received for 30 to 60 days and provide practical and feasible responses to comments received.

Commissioner Gardea asked RSG if 30 or 60 days would be sufficient.

Brandon Fender, RSG Senior Associate, stated that 60 days would be sufficient.

Commissioner Gardea made a motion to accept the motion as stated by LAFCo Counsel allowing 60 additional days for public review and comment.

Commissioner Diallo seconded the motion.

Chair Ding asked for a Roll Call Vote:

Ayes: Commissioners Arriola, Gardea, Dhatt, Dhaliwal, Diallo Johnson and Chair Ding

Abstain: None

Absent: Commissioner Barton

EXEUTIVE OFFICER COMMENTS

No comments

ADJOURMENT

Chair Ding adjourned the meeting at 10:15 a.m.

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1

MSR & SOI Update

Rural Fire Protection Districts

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Purpose of the MSR & SOI Update

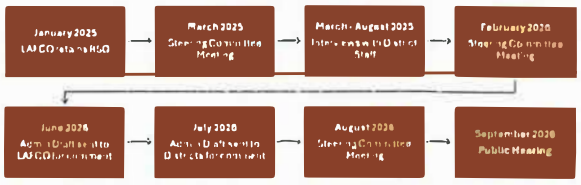
- Inform the public
- Support Commission decision-making
- Review service delivery and agency conditions
- Evaluate service capacity, fiscal health, and governance

Additional goals for this MSR and SOI Update:

- Update SOIs to reflect current jurisdiction and growth conditions
- Identify regional service and governance issues for further evaluation
- Establish the analytical foundation for the upcoming Alternative Governance Study

3

Project Timeline and Milestones



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Key Courtesy Review Period Comments

Topic	Source(s) Used	Considerations
Population and housing estimates	ESRI Business Analyst	• District-level demographic data is inherently nuanced, particularly in areas experiencing rapid growth and development • Need for standard set of demographic information across all agencies reviewed
Incident call volume data	VRECC & Stockton Dispatch Center	• Dispatch data is not independently verified and/or scrubbed; may contain outliers • Self-reported information to the U.S. Fire Administration should also be considered (included as Appendix 3 to report)

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Regional Challenges

FISCAL SUSTAINABILITY
- Varying property tax allocations
- Lack of special assessments or recent increases to special assessments
- Rising personnel and operating costs

STAFFING & ADMINISTRATION
- Limited staffing and administrative capacity
- Reliance on volunteers or shared/contracted functions

GROWTH & SERVICE DEMANDS
- Growth concentrated near urbanizing areas
- Increasing service demands in growth areas

SERVICE BOUNDARIES
- City SOIs overlap several district boundaries
- Growth may shift future service responsibility

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Government Code Sections 56425 & 56430



SOI Determinations

- Present and Planned Land Uses
- Present and Probable Need for Facilities and Services
- Present Capacity of Public Facilities and Adequacy of Public Services
- Existence of any Social or Economic Communities of Interest
- Present and Probable Need for Facilities and Services by and DUCs in Existing SOI

MSR Determinations

- Growth, Population, and Housing
- Disadvantaged Unincorporated Communities
- Capacity of Facilities and Adequacy of Services
- Financial Ability to Provide Services
- Opportunities for Shared Services
- Accountability

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MSR Determinations

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Summary of MSR Determinations

Determination	Findings
1. Growth & Population	• Continued growth limited to urban areas
2. Disadvantaged Unincorporated Communities (DUCs)	• Several DUCs and SDUCs identified • Areas concentrated near urbanized portions of County; no known deficiencies
3. Capacity & Adequacy Services	• Facilities generally adequate today • Continued long-term investment needed

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Summary of MSR Determinations (Continued)

Determination	Findings
4. Financial Ability	• Financial capacity varies by district • Property tax disparities affect service capacity
5. Shared Services Opportunities	• Existing partnerships are strong • Additional shared service opportunities exist
6. Accountability & Governance	• Most agencies maintain active websites and comply with transparency laws • Varying levels of administrative capacity between Districts

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Relevant SOI Policy

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LAFCO SOI Policy (A)(7)

- LAFCO shall encourage districts and cities to develop plans for the orderly detachment, merger, or dissolution of a district when districts have significantterritory within a proposed city's sphere of influence.

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LAFCO SOI Policy (A)(9)

- Where an area could be assigned to the sphere of influence of more than one agency providing a needed service, the following hierarchy shall apply dependent upon ability to serve, unless an agency or district has specialized capacity to provide such service:
  - (a) inclusion within a municipality sphere of influence;
  - (b) inclusion within a multipurpose district sphere of influence
  - (c) inclusion within a single -purpose district sphere of influence.

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SOI Framework

Reaffirm Coterminous SOI
- Where existing service and planning boundaries remain appropriate

Zero SOI
- Where long-term service responsibility is anticipated to transition to another provider

Partial SOI + Special Study Area
- Where district/city SOIs overlap and additional analysis is needed to determine the most appropriate service provider

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SOI Recommendations

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Coterminous SOIs

District	Current SOI	Proposed SOI
• Clements RFPD • Escalon CFPD • Liberty RCFPD • Linden-Peters RCFPD • Thornton RFPD	• Coterminous	• Reaffirm coterminous

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Zero SOIs

District	Current SOI	Proposed SOI
• Tuxedo-Country Club FPD	• Zero	• Zero
• Montezuma FPD	• Coterminous/zero for areas within Stockton	

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Partial SOIs + Special Study Areas (Stockton Overlap)

District	Current SOI	Proposed SOI
• Collegeville RFPD	• Coterminous	• Partial sphere • Designate overlapping territory with Stockton's SOI as special study area
• Eastside RCFPD • Waterloo Morada RCFPD	• Coterminous/zero for areas within Stockton	
• Lincoln FPD	• Zero	

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Partial SOIs + Special Study Areas (Lodi Overlap)

District	Current SOI	Proposed SOI
• Mokelumne RCFPD	• Coterminous/zero for areas within Lodi	• Partial sphere • Designate overlapping territory with Lodi's SOI as special study area
• Woodbridge RCFPD	• Unknown	

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Partial SOIs (Multiple Cities Overlap)

District	Current SOI	Proposed SOI
• French Camp-McKinley FPD	• Coterminous/zero for areas within Stockton	• Partial sphere • Designate overlapping territory with Stockton and Lathrop SOIs as special study area
• Lathrop-Manteca FPD	• Coterminous	• Partial sphere • Designate overlapping territory with Lathrop, Stockton, Manteca, and Ripon's SOI as special study areas

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Partial SOIs (Multiple Cities Overlap) – Cont'd

District	Current SOI	Proposed SOI
• Ripon CFPD	• Coterminous	• Partial sphere • Designate overlapping territory with Ripon and Manteca SOIs as special study areas
• Tracy Rural FPD	• Unknown	• Partial sphere • Designate overlapping territory with Mountain House and Tracy as special study areas

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Next Steps

TODAY
- Receive public comments
- Hold and close public hearing

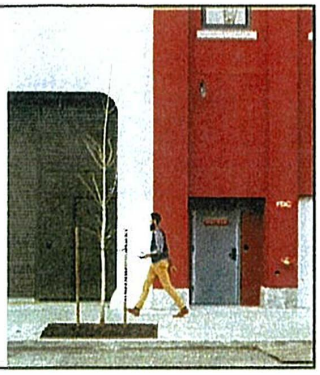
FUTURE MEETING
- Adopt MSR determinations
- Approve SOI updates

FUTURE CONSIDERATION
- Agency & stakeholder engagement
- Evaluate alternative governance options
- Return to Commission as appropriate
- Separate LAFCO action

Note: The MSR establishes the foundation for further study; it DOES NOT recommend or predetermine a specific reorganization scenario

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Appendix

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CKH Section 56378. Authorization to initiate studies and request information from other governmental agencies

In addition to its other powers, the commission shall initiate and make studies of existing governmental agencies. Those studies shall include, but shall not be limited to, inventorying those agencies and determining their maximum service area and service capacities. In conducting those studies, the commission may request land use information, studies, joint powers agreements, and plans of cities, counties, districts ... shall comply with the request of the commission for that information and the commission shall make its studies available to public agencies and any interested person.

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San Joaquin LAFCO
Local Agency Formation Commission
The Gateway County

Balancing Community and Commerce

5000 S. AIRPORT WAY SUITE 209 STOCKTON, CA 95206 209-953-7646

EXECUTIVE OFFICER BRIEF

DATE: November 12, 2026
TO: Commissioners
FROM: J.D. Hightower, Executive Officer
SUBJECT: CITY OF STOCKTON (CITY) MUNICIPAL SERVICES REVEW (MSR)

Staff recommends a of the City of Stockton's Municipal Service Review. The City's MSR Update evaluates the ability of the City to provide services to the public within the territory within it's Sphere of Influence (SOI). State law recommends the Commission review every five (5) years. The boundaries of the City's SOI in place since 2016 remain the same and will meet foreseen territorial demand.

City of Stockton has submitted a MSR that presents the needed background and logical arguments justifying the City's Sphere of Influence. The MSR documents policies and measures that will facilitate the logical and orderly development of the City. The MSR complies with all Commissions policies and procedures. There are six mandated determinations the MSR makes:

Determination 1: Growth and population projections for the affected area. *Trends demonstrate a pattern of slowing population and household growth, a growth rate of 0.34% for a forecasted 2040 population of 339,184.*
Determination 2: The location and characteristics of any disadvantaged unincorporated communities (DUC) within or contiguous to the SOI. *All 20 DUC's within the City's SOI are mapped and evaluated.*
Determination 3: Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies … in any DUC's within or contiguous to the SOI. *The MSR describes infrastructure needs for all 20 DUC's.*
Determination 4: Financial ability of the City to provide service. *The MSR documents in detail the City's financial ability to provide services within it's SOI.*
Determination 5: Status of, and opportunities for, shared facilities. *The City has a long history of sharing facilities, including fire service dispatching.*
Determination 6: Accountability for community service needs, including governmental structure and operational efficiencies. *The MSR documents the City's governing structure and operational efficiencies.*

San Joaquin LAFCO
Local Agency Formation Commission
The Gateway County

Balancing Community and Commerce

5000 SOUTH AIRPORT WAY SUITE 209 STOCKTON, CA 95202 209-468-3198

EXECUTIVE OFFICER'S REPORT

DATE: November 12, 2026
TO: Commissioners
FROM: J.D. Hightower, Executive Officer
SUBJECT: **City of Stockton Municipal Services Review Update**

RECOMMENDATION

The attached Resolution adopt the updated City of Stockton's Municipal Services Review (MSR). State Government Code Section 56425(g) states, "the commission shall, as necessary, review and update each sphere of influence." The State recommends that this review should take place every five (5) years. The Commission last reviewed and updated the City of Stockton's SOI was via a comprehensive MSR was in 2020. In 2023, the Commission evaluated a project specific MSR update for the Mariposa Industrial Park pursuant to Gov. Code Section 56430(a).

The Commissions policy and procedures provides that LAFCo will determine how service reviews will be organized and conducted in San Joaquin County. The policies and procedures also direct that:

> ***The focal point of the service review process lies with the preparation of written statements of determination regarding the City's ability to provide services. Determinations cannot merely cite some broad policy statement from the City's General Plan or recite a series of actions that might be undertaken. The determinations need to be declaratory statements that arrive at a conclusion based of all of the information and evidence presented to the Commission. The determinations need to bridge the gap between raw data and the final conclusion about the status or condition of the service that is under review.***

Government Code Section 56430 directs that a MSR evaluate the following factors:

(1) Growth and population projections for the affected area.
(2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
(3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
(4) Financial ability of agencies to provide services.

(5) Status of, and opportunities for, shared facilities.
(6) Accountability for community service needs, including governmental structure and operational efficiencies.
(7) Any other matter related to effective or efficient service delivery, as required by commission policy.

The MSR is a LAFCo tool used for checking compliance of a request with the provisions of the Cortese–Knox–Hertzberg Local Government Reorganization Act of 2000, State Government Code Section 56000 et. Seq.

Below is brief on the final conclusions reached by evaluation and determination of key data that is presented in the MSR.

Growth and population projections: Pursuant to GC Code 56668(a), in reviewing a proposal LAFCo shall review, "Population and population density… and the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years." Current LAFCo projection forecasts the City's population grow from a current estimate of 322,436 residents to 352,987 residents in 2040 an increase of 30,551 residents. Population projections have The 2040 General Plan Land Use map depicts proposed land use for Stockton within the SOI that can accommodate this projected growth. The 2025 San Joaquin County Demographic and Employment Forecast prepared by the San Joaquin Council of Governments (SJCOG) projects that between 2025 and 2050, Stockton's population will grow by 28,499 and the number of jobs in the city by 22,896.

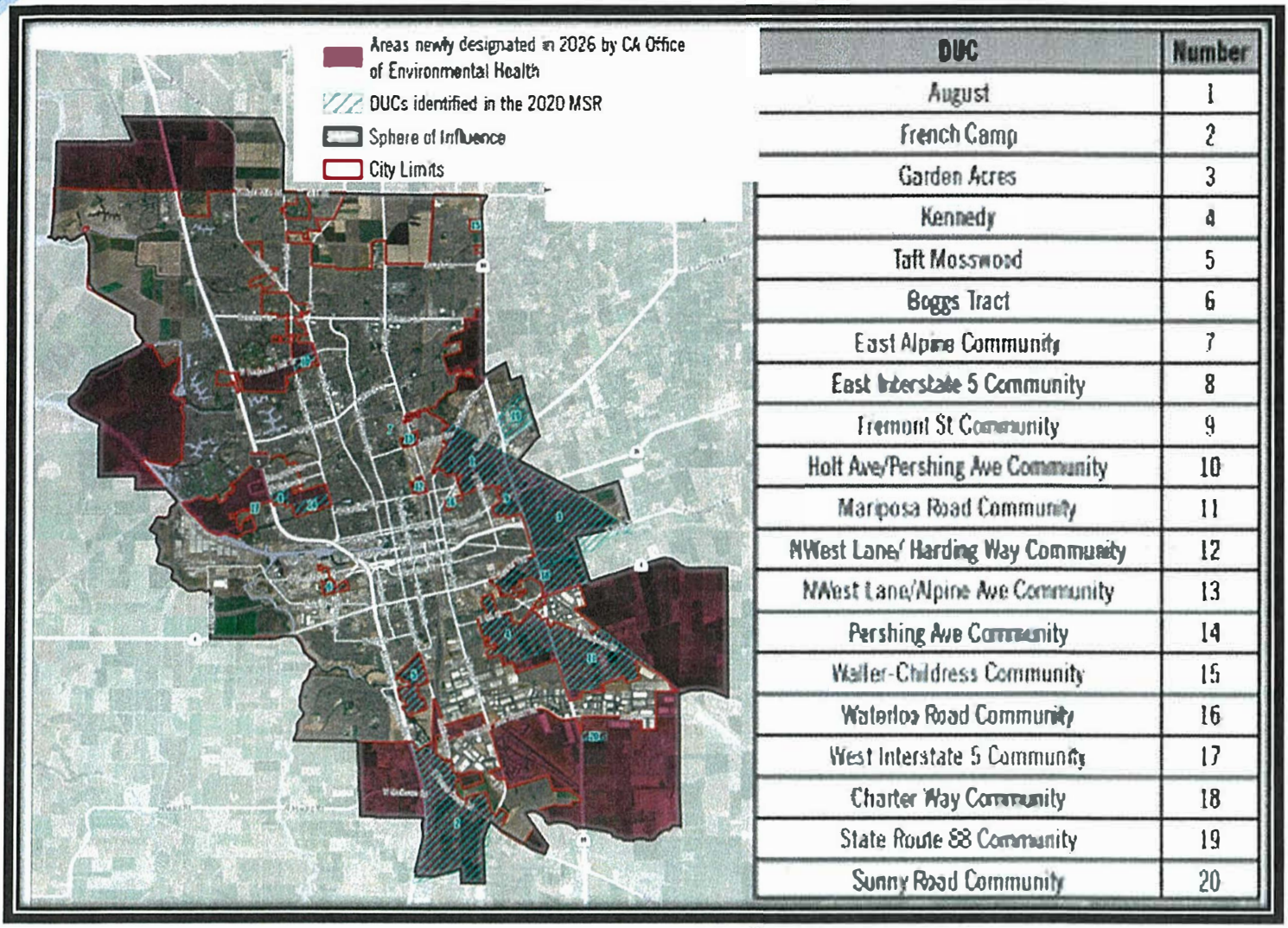
The City has multiple planning processes in place to assess whether levels of service provided are adequate to accommodate new growth. Existing planning processes include:

- General Plan goals, objectives and policies
- Annual Operating and Capital Improvement Program budget processes
- Master plans for water, wastewater, storm water management, parks and open space as well as fire protection and law enforcement services

The 2040 General Plan and 2023-2031 Housing Element include policies that direct the City to ensure adequate land served by public facilities is available to meet projected population growth. Other policies require the City to consider the funding necessary to adequately provide facilities and services to development anticipated in any area proposed for expansion and ensure that infrastructure improvements and service coincide with new development.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence. The MSR identifies 20 DUCs within or partially within the city's SOI, including fringe and island communities as defined within the State Water Code Section 79505.5. Overall there are 10,295 parcels comprising 8,362 acres within DUC's within or contiguous to the City's SOI.

The map on the following page shows DUC's were identified on the 2024 State Department of Water Resources, as well as the most recent DUC's mapped in September 2026 that are shaded in red. Service related data will be shared with the Commission as it becomes available.



DUC	Number
August	1
French Camp	2
Garden Acres	3
Kennedy	4
Taft Mosswood	5
Boggs Tract	6
East Alpine Community	7
East Interstate 5 Community	8
Fremont St Community	9
Holt Ave/Pershing Ave Community	10
Mariposa Road Community	11
NWest Lane/ Harding Way Community	12
NWest Lane/Alpine Ave Community	13
Pershing Ave Community	14
Waller-Childress Community	15
Waterloo Road Community	16
West Interstate 5 Community	17
Charter Way Community	18
State Route 88 Community	19
Sunny Road Community	20

The DUCs in the Stockton Metropolitan Area are generally well-served by current fire protection and water services providers. Infrastructure needs of DUC's are usually public wastewater collection and storm drain systems. This includes where storm drainage is provided via roadside ditches, with no connections to storm drain systems. Relying on infiltration and evapotranspiration, in already saturated soils leads to ponding. Continual ponds can lead to public health concerns related to additional potential mosquito breeding habitat.

There are also several areas where sewer lines would need to be constructed to accommodate growth in demand via intensification of density or land use intensity. In areas where services are deficient, new development, with or without annexation, would require improvements to bring them up to contemporary standards and to accommodate new development.

Improvements needed to serve DUC's with contemporary standards include connection to public sewer systems and extension of storm drainage systems, as anticipated by the City's Wastewater Master Plan and Stormwater Management Plan in several areas. All DUCs, as in other areas within the city's SOI, fire protection services are provided by independent fire protection districts.

Disadvantaged Unincorporated Communities
City of Stockton Sphere of Influence

DUC Name	# Parcels	Acres	Water	Sewer	Drainage	Fire District
August	2,137	805	Cal Water	East Stockton Sanitary Sewer Project	Roadside Ditch	Eastside FD
French Camp	606	2006	Private Wells	Private Septic	Roadside Ditch	French Camp-McKinley
Garden Acres	2901	1652	Cal Water	East Stockton Sanitary Sewer Project & Septic	Storm Main & Road Ditch	Eastside FD
Kennedy	888	774	Cal Water	City of Stockton Morrison Garden SSD	County Storm Main	Montezuma FD
Taft Mosswood	493	310	Cal Water	County Taft Improvement District #52	Roadside Ditch	French Camp-McKinley
Boggs Tract	325	100	Cal Water	Private Septic	Roadside Ditch	Boggs Tract* FD
East Alpine	10	4	Cal Water	City of Stockton	City of Stockton	Eastside FD
East I-5	212	51	Cal Water	Pacific Gardens Sanitary District/COS	County Storm Main	Tuxedo-Country Club FD
Fremont Street	221	194	Cal Water	East Stockton Sanitary Sewer Project & City	Roadside Ditch	Eastside FD
Holt/Pershing	252	79	City	Lincoln Village Maintenance District & City	County Storm Main	Lincoln FD
Mariposa Road	223	1112	Cal Water	City of Stockton Morrison Garden SSD	Roadside Ditch	Montezuma FD
North Oaks	232	52	Cal Water	City of Stockton Assessment Area 3	City of Stockton	Lincoln FD
West Lane	195	45	Cal Water	City of Stockton Assessment Area 3	City of Stockton	Eastside & Lincoln
Pershing Ave.	473	110	Cal Water	Pacific Gardens Sanitary District/COS	County Storm Main	Tuxedo-Country Club FD
Waller-Childress	34	35	Private Wells	Private Septic	Roadside Ditch	Waterloo-Morada FD
Rose Terrace	106	33	Cal Water	East Stockton Sanitary Sewer Project	County Storm Main	Eastside FD
West I-5	22	10	Cal Water	Pacific Gardens Sanitary District/COS	Roadside Ditch	Tuxedo-Country Club FD
Charter Way	775	650	Cal Water	East Stockton Sanitary Sewer Project	County Storm Main/Ditch	Eastside FD
SR 88 Fringe	143	281	Cal Water	CSA 15	County Storm Main	Waterloo-Morada FD
Sunny Road	47	59	Private Wells	City of Stockton Collection System 8	Roadside Ditch	Montezuma FD
Total 20 DUC's	**10,295**	**8,362**				

There are several ways that services to these areas could be improved, including annexation to the City of Stockton and connection to the City's existing and planned infrastructure. For most of these areas, the City has provided a backbone sanitary sewer system, so connection to public treatment systems is a viable option.

Generally, funding sources for other needed system improvements include CFDs, taxes, bonds, grants, and exactions. Adding new property tax in most CFDs must be approved by two-thirds (2/3) vote of resident property owners or registered voters. Thus, CFDs may work for undeveloped land areas annexed into the City and present challenges for DUCs other than those adjacent to SOI areas that may be annexed into the City. Extending sewer service into some non-SOI adjacent DUCs will require substantial grant funding. The MSR discusses various funding strategies that the City may pursue

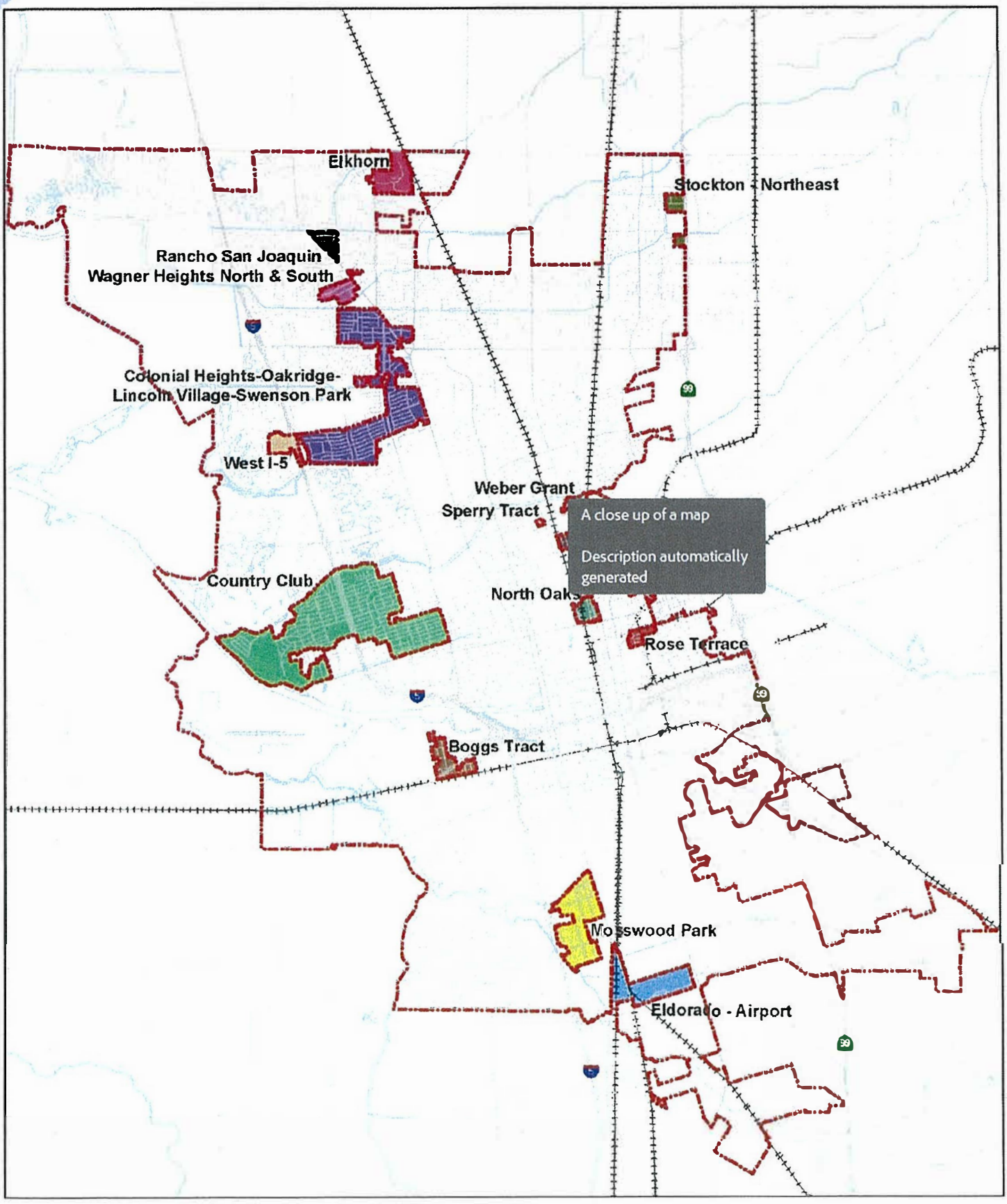
In addition to DUC's, there are 15 unincorporated islands surrounded by the incorporated territory of the City. some of islands are described above as DUCs, there are six (6) islands that do not meet the criteria to be classified as DUCs. Annexation of these islands would establish a more seamless urban fabric that could enable a less fragmented system of service delivery.

Following is a list of the 15 unincorporated islands surrounded by the City of Stockton's current city limits (see Figure 4-2), including notations concerning their relationships, if any, to the DUCs described above.

- Stockton Northeast
- Elkhorn
- Rancho San Joaquin
- Wagner Heights North and South
- Colonial Heights-Oakridge-Lincoln Village-Swenson Park (includes Holt Ave/Pershing Ave DUC)
- West I-5
- Weber-Grant
- Sperry Tract (coterminous with Sperry Tract DUC)
- West Lane (coterminous with West Lane DUC)
- Country Club (includes East I-5, Pershing Ave, and West I-5 DUCs)
- North Oaks (coterminous with North Oaks DUC)
- Rose Terrace (coterminous with Rose Terrace DUC)
- Boggs Tract (coterminous with Boggs Tract DUC)
- Mosswood Park (coterminous with Taft Mosswood DUC)
- El Dorado-Airport

GC Section 56668(p) states that LAFCo shall review proposals to, "The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment and meaningful involvement of people of all races, cultures, incomes, and national origins, with respect to the location of public facilities and the provision of public services, to ensure a healthy environment for all people such that the effects of pollution are not disproportionately borne by any particular populations or communities."

Further backing that section is GC Section 56375(8)(A) that goes on to state, "Except .. authorized under Section 56375.3, and .. subparagraph (B), a commission shall not approve an annexation to a city of any territory greater than 10 acres … where there exists a disadvantaged unincorporated community that is contiguous to the area of proposed annexation, unless an application to annex the disadvantaged unincorporated community to the subject city has been filed with the executive officer."


Elkhorn
Stockton - Northeast
Rancho San Joaquin
Wagner Heights North & South
Colonial Heights-Oakridge-
Lincoln Village-Swenson Park
West I-5
Weber Grant
Sperry Tract
A close up of a map
Description automatically generated
Country Club
North Oaks
Rose Terrace
Boggs Tract
Mosswood Park
Eldorado - Airport

3. Capacity of Facilities and Adequacy of Services.

The MSR has detailed analysis supporting the overall determination that the City has the financial ability to provide services necessary for the forecasted growth within it's SOI (GC Section 56668(k)). Below is a gist of information provided within the MSR.

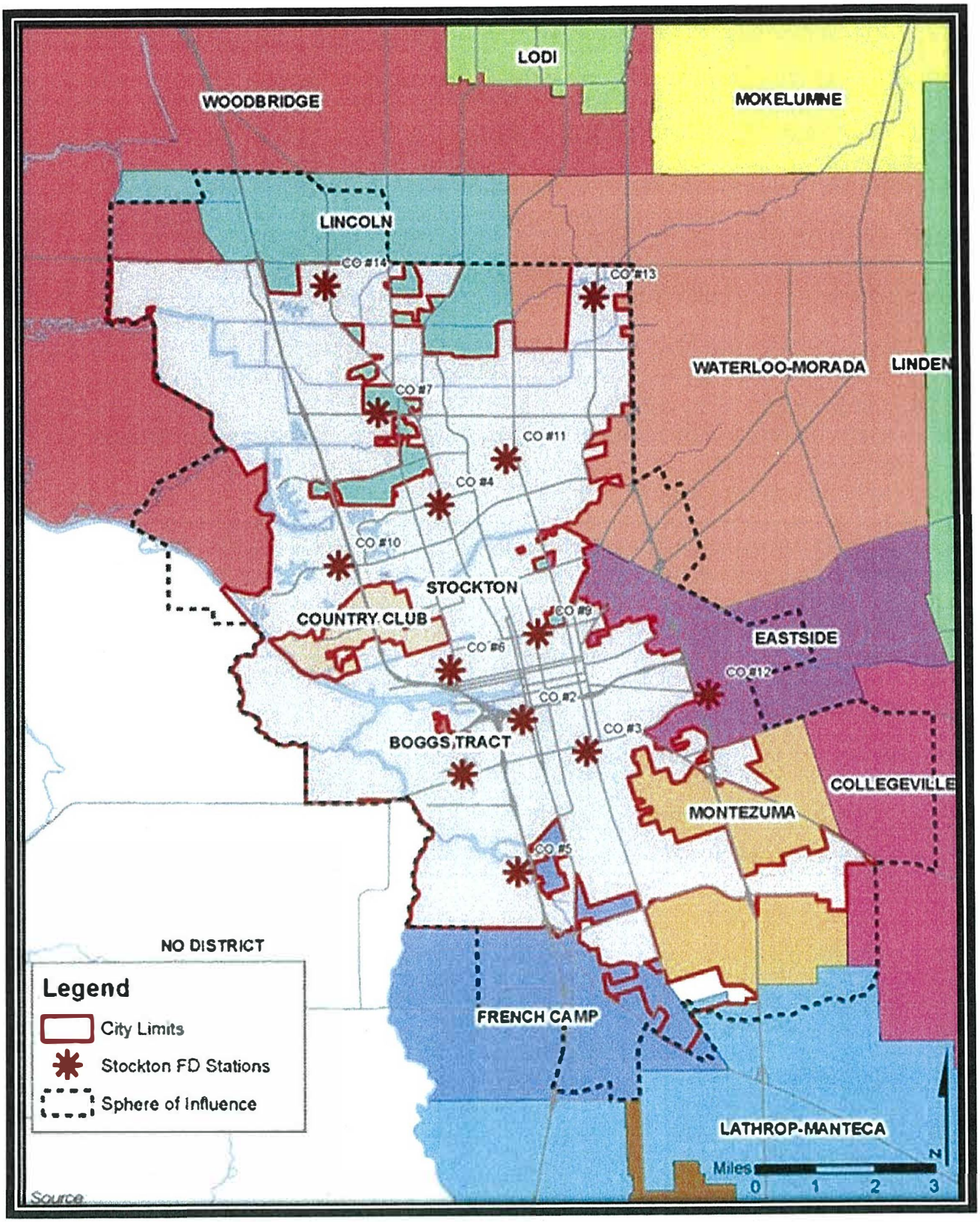
A. Fire Protection Determinations. The Stockton Fire Department is providing adequate services to its current customers (including both within most of the city limits and in contracted service areas). Currently the City has 13 fire stations located throughout the City. Continued growth within the SOI will increase the overall demand on fire protection services, including the typical range of service calls (e.g., structure fires, car fires, electrical fires, emergency medical response).

The Stockton Fire Department maintains one engine company at each fire station and a truck company at Stations 2, 3, 4, and 7. Training and communication services are quartered at Station 2, which serves as the central fire station. Other specialized services include:

- Hazardous Materials Unit – Station 3
- Urban Search and Rescue Team – Station 2

Outward growth will impact the rural fire districts providing services in City's adopted SOI. As part of the annexation process, the City will need to demonstrate it has the capacity and ability to deliver services efficiently. In cases where the City can deliver efficient services, the boundaries of the rural fire districts will be reduced in territory that may have a long-term financial impact on those districts. San Joaquin LAFCo has adopted a policy that requires the Commission to consider the adverse impact of annexation on the other agencies and requires appropriate mitigation.

Station	Location	Companies/Divisions
1	1818 South Fresno Avenue	1 Engine
2	110 West Sonora Street	1 Engine; 1 Truck; Technica Rescue Unit; USAR; Training; Communications; Battalion Chief; Chief's Operator
3	1116 East First Street	1 Engine; 1 Truck; Hazardous Materials Response Unit; 1 Grass Rig
4	5525 Pacific Avenue	1 Engine; 1 Truck; Battalion Chief
5	3499 Manthey Road	1 Engine; 1 Grass Rig
6	1501 Picardy Drive	1 Engine; Water Rescue Unit; Swift Water & Dive Rescue Team
7	1767 West Hammer Lane	1 Engine, 1 Truck
9	550 East Harding Way	1 Engine; 1 Grass Rig
10	2903 West March Lane	1 Engine; 1 Grass Rig
11	1211 East Swain Road	1 Engine
12	4010 East Main Street	1 Engine; 1 Grass Rig
13	3606 Hendrix Drive	1 Engine; 1 Grass Rig; 1 EMS Rescue
14	3019 McNabb Street	1 Engine; 1 Grass Rig


LODI
WOODBRIDGE
MOKELUMNE
LINCOLN
CO #14
CO #13
WATERLOO-MORADA
LINDEN
CO #7
CO #11
CO #4
CO #10
STOCKTON
COUNTRY CLUB
CO #9
EASTSIDE
CO #6
CO #12
CO #2
CO #3
BOGGS TRACT
COLLEGEVILLE
MONTEZUMA
CO #5
NO DISTRICT
Legend
City Limits
Stockton FD Stations
Sphere of Influence
FRENCH CAMP
LATHROP-MANTECA
Miles
0 1 2 3
N
Source

Stockton Fire Department has 0.59 budgeted firefighter positions per 1k residents and an average of 3,308 incidents per fire station. The total budgeted firefighter positions per 1k residents is lower than comparative jurisdictions including Riverside, Modesto, and Oakland, and the average incidents per fire station is higher than those jurisdictions.

	Stockton Fire Department	Riverside Fire Department	Modesto Fire Department	Oakland Fire Department
Total Budgeted Firefighter Positions per 1K Residents	0.59	0.67	0.73	1.10
Average # of Incidents Per Fire Station	3,308	2,786	2,647	2,692

The National Fire Protection Association (NFPA) publishes guidelines "to improve the methods of fire protection and prevention" and to establish "proper safeguards against loss of life and property" due to fire. This includes the NFPA 1710 Guidelines, which established that fire departments should establish a "time objective of four minutes or less for the arrival of the first arriving engine company at a fire suppression incident." The Stockton General Plan (see fire response times under Goal SAF-1) reflects this standard, with criteria for station needs keyed to the four-minute objective for the first engine company's travel time. The travel time for Structure Fire incidents provided by the Stockton Fire Station in 2026 demonstrates that the four-minute standard goal is met with 68 percent of responses.

Incident Type	Goal	% Goal Met
Received to Dispatch Time		
EMS and Rescue	1:30	38%
Structure Fire	1:30	64%
All Other	1:30	62%
Turn Out Time		
EMS and Rescue	1:00	38%
Structure Fire	1:20	64%
All Other	1:00	62%
Travel Time		
EMS and Rescue	4:00	22%
Structure Fire	4:00	68%
All Other	4:00	29%
Total Response Time		
EMS and Rescue	5:00	23%
Structure Fire	5:20	85%
All Other	5:00	31%

The Stockton Fire Department is providing adequate services to its current customers (including both within most of the city limits and in contracted service areas). As of August 2026, the Stockton Fire Department had an ISO rating of 2. Continued growth within the SOI will increase the overall demand on fire protection services, including the typical range of service calls (e.g., structure fires, car fires, electrical fires, emergency medical response). The Department has the staffing and equipment to meet current service demands and response time standards. Future obligations for service delivery will be analyzed on an individual basis to determine the potential impact on service delivery and the potential need for additional facilities, vehicles, equipment, and personnel to maintain adequate response times consistent with the City's General Plan fire response times standards.

B. Law Enforcement Determinations. In 2025, Stockton's Police Department consisted of 425 sworn police officers. Stockton's 2025 population was approximately 320,877, which resulted in a ratio of 1.32 sworn staff per 1,000 residents.

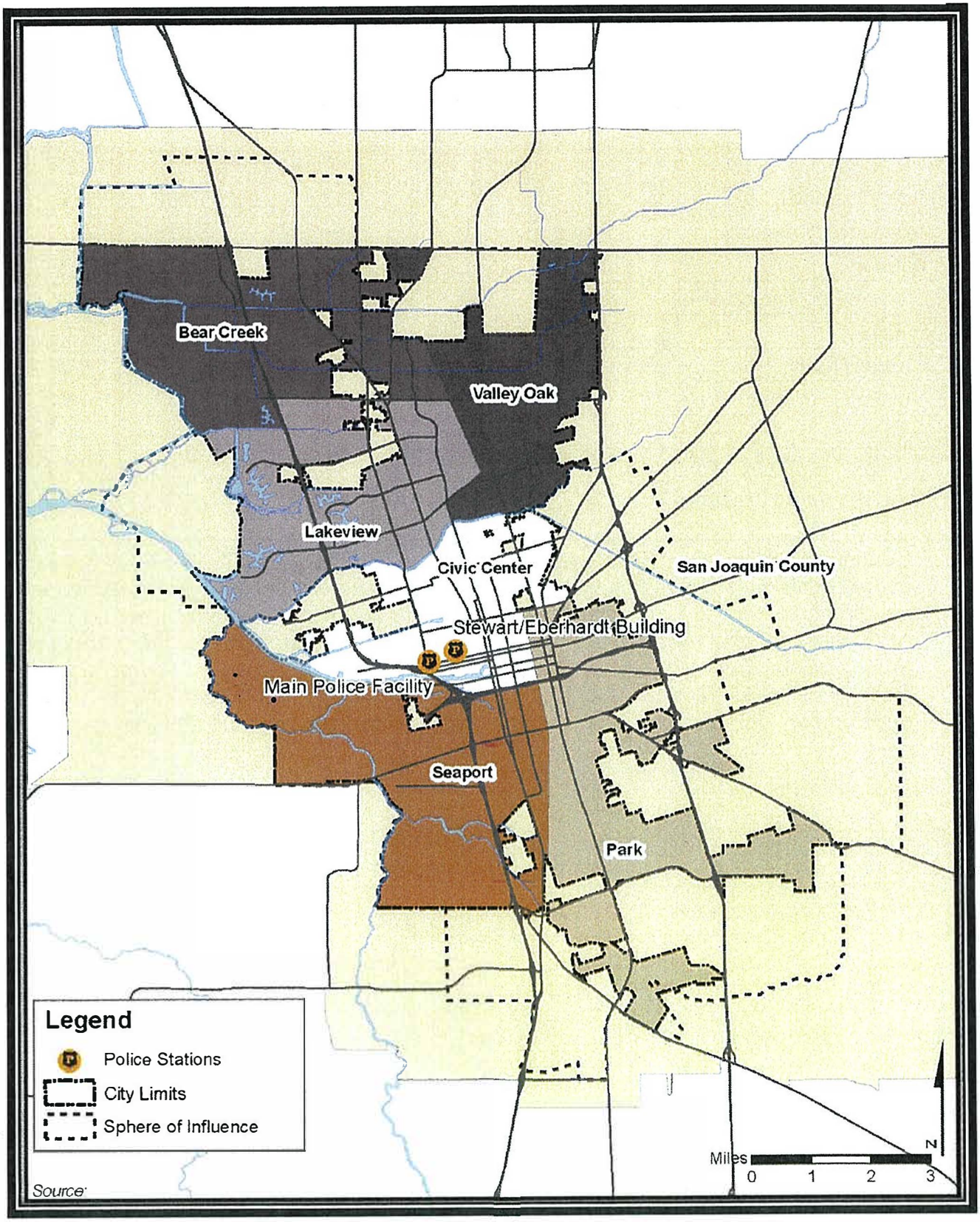
Position	Employed	Sworn Staff per 1,000 Population
Chief of Police	1	0.003
Deputy Chiefs	3	0.009
Captains	5	0.016
Lieutenants	17	0.053
Sergeants	57	0.178
Police Officers	342	1.066
Sworn Positions	425	1.324
Police Telecommunicators	41	-
Civilian Positions	236	-
Total Police Department Staff	**662**	**-**

The City PD is organized into six Community Policing Districts: Bear Creek, Civic Center, Lakeview; Park, Seaport, and Valley Oak. Overall crime rates are down by 5.5% from year to year with violent crimes down by 12.5% and property crimes down 2.7%.

The average response time to in-progress, life-threatening emergencies is between 3 and 5 minutes. Depending on the nature of the call, the time of day, the location, and the number of on-duty personnel, response times to non-emergency calls can exceed 25 minutes.

Incident Type	January 2026	February 2026	Month to Month % Change	2025 YTD	2026 YTD	Year to Year % Change
Violent Incidents						
Homicide	1	2	100%	5	3	-40.0%
Forcible Rape	8	7	-12.5%	10	15	50.0%
Aggravated Assault	166	147	-11.4%	376	313	-16.8%
Robbery	55	64	16.4%	123	119	-3.3%
Total Violent Incidents	*230*	*220*	*-4.3%*	*514*	*450*	*-12.5%*
Burglary	95	81	-14.7%	216	176	-18.5%
Larceny/Theft	473	372	-21.4%	795	845	6.3%
Motor Vehicle Theft	111	75	-32.4%	227	186	-18.1%
Arson	21	6	-71.4	30	27	-10.1%
Total Property Incidents	*700*	*534*	*-23.7%*	*1,268*	*1,234*	*-2.7%*
Total Incidents Reported	**930**	**754**	**-18.9%**	**1,782**	**1,684**	**-5.5%**

Continued growth within the currently undeveloped areas of the SOI will likely increase the overall demand for law enforcement services. The extension of Measure A, supported by ongoing officer hiring incentives will support adequate response times to serve future growth. It is anticipated that new outward growth will be concentrated in the northern areas of the City's SOI, the Bear Creek and Valley Oak Policing Districts. While the City's costs to maintain existing equipment and facilities and to train and equip personnel will increase, new development demands will be offset through the increased revenue and fees generated.


Bear Creek
Valley Oak
Lakeview
Civic Center
San Joaquin County
Stewart/Eberhardt Building
Main Police Facility
Seaport
Park
Legend
Police Stations
City Limits
Sphere of Influence
Miles
0
1
2
3
N
Source:

C. **Water Supply and Treatment Determinations.** Pursuant to GC Section 56668(l) Timely availability of water supplies adequate for projected needs, the MSR shows the City's ability to meet water demand within the SOI via a blend of surface and ground water sources.

Surface water supply is provided by three sources, the Delta Water Supply Project (DWSP), Stockton East Water District (SEWD), and the Woodbridge Irrigation District (WID). The DWSP draws water from the San Joaquin River Delta via intakes at the City's Delta Water Treatment Plant (DWTP). There the City has current treatment capacity of 30 million gallons per day (mgd) and produces an average of 15 mgd of treated surface water providing the majority of the City's potable supply. SEWD's surface water comes from New Melones Reservoir and New Hogan Reservoir. The City, Cal Water, and San Joaquin County each purchase surface water from SEWD to serve customers within the SOI. WID-provided water comes from the Mokelumne River. While agricultural users within the SOI rely primarily on groundwater, they do divert minor amounts of surface water.

The DWTP allows the City to use less groundwater in wet and average years and increases groundwater use in dry years to make up for reductions in surface water deliveries. Groundwater is managed for long-term sustainability and supply through conjunctive use with surface water supplies. The City has determined that the sustainable groundwater yield is 0.75 acre-feet per year, equivalent to a groundwater yield of approximately 50,000 acre-feet per year. To establish the projected groundwater supply that is reasonably available, COSMUD assumes that the reasonably available groundwater for the current water service area (approximately 38,500 acres) is pumped at 0.6 acre-feet per year, equivalent to an annual groundwater supply of 23,100 acre-feet per year.

In September 2025, the DWTP began construction of the Delta Water Treatment Plant Recharge Project. The Project will allow the City of Stockton to directly recharge the groundwater basin. Water recharged into the groundwater basin can then be stored and pumped during dry years or extended droughts. The resulting basins will help balance groundwater levels in the critically over-drafted Eastern San Joaquin Groundwater Subbasin to help meet the Region's Sustainable Groundwater Management Act requirements.

This blended approach has and will allow the City to meet demand within the SOI during differing hydrologic periods. During normal years, there is a The MSR has detailed evaluation of water supplies, both potable and non-potable. The MSR evaluation is consist with the 2025 Urban Water Management Plan determination that there is more than sufficient water available to support projected development within the SOI under all hydrologic conditions.

D. **Waste Water Collection and Treatment Determinations.** The primary regulating document for the operation of the City wastewater collection and treatment facilities is the NPDES permit for the City's Regional Wastewater Control Facility (RWCF). The Stockton RWCF treatment and effluent is currently regulated by Central Valley Regional Water Quality Control Board (CVRWQCB) Order No. R5-2015-0142, NPDES CA0079138.

The City's wastewater collection and treatment facilities consist of the Stockton RWCF and the City of Stockton Wastewater Collection System Facilities. Collecting and delivering wastewater to the RWCF are pump stations located throughout the city. These pump stations are integral to the wastewater collection system. Most of the pump stations discharge to pressure sewers that convey flow under pressure either directly to the RWCF or to a downstream gravity sewer lines. Upon arrival at the RWCF wastewater is provided with primary, secondary, and tertiary treatment. The RWCF has the capacity to treat up to 55 mgd of wastewater and currently collects 33 mgd of average dry weather flow. Treated effluent from the RWCF is dechlorinated and discharged to the San Joaquin River.

The City of Stockton RWCF has met and expects to continue meeting annual wastewater collection and treatment demands within the SOI in compliance with the CVRWQCB and NPDES permit. According to the Regional Wastewater Control Facility Master Plan, the City's wastewater treatment facilities can support a population of about 380,000 within the SOI, which is more than SJCOG's 2050 population projection

D. **Stormwater Drainage and Flood Protection Determinations**. In 2023, the City of Stockton adopted a Stormwater Master Plan (SWMP), in accordance with the 2040 General Plan Update. The SWMP, which includes existing and enhanced program control measures, is the City's strategy for controlling the discharge of pollutants from the municipal storm drain system to the maximum extent practicable.

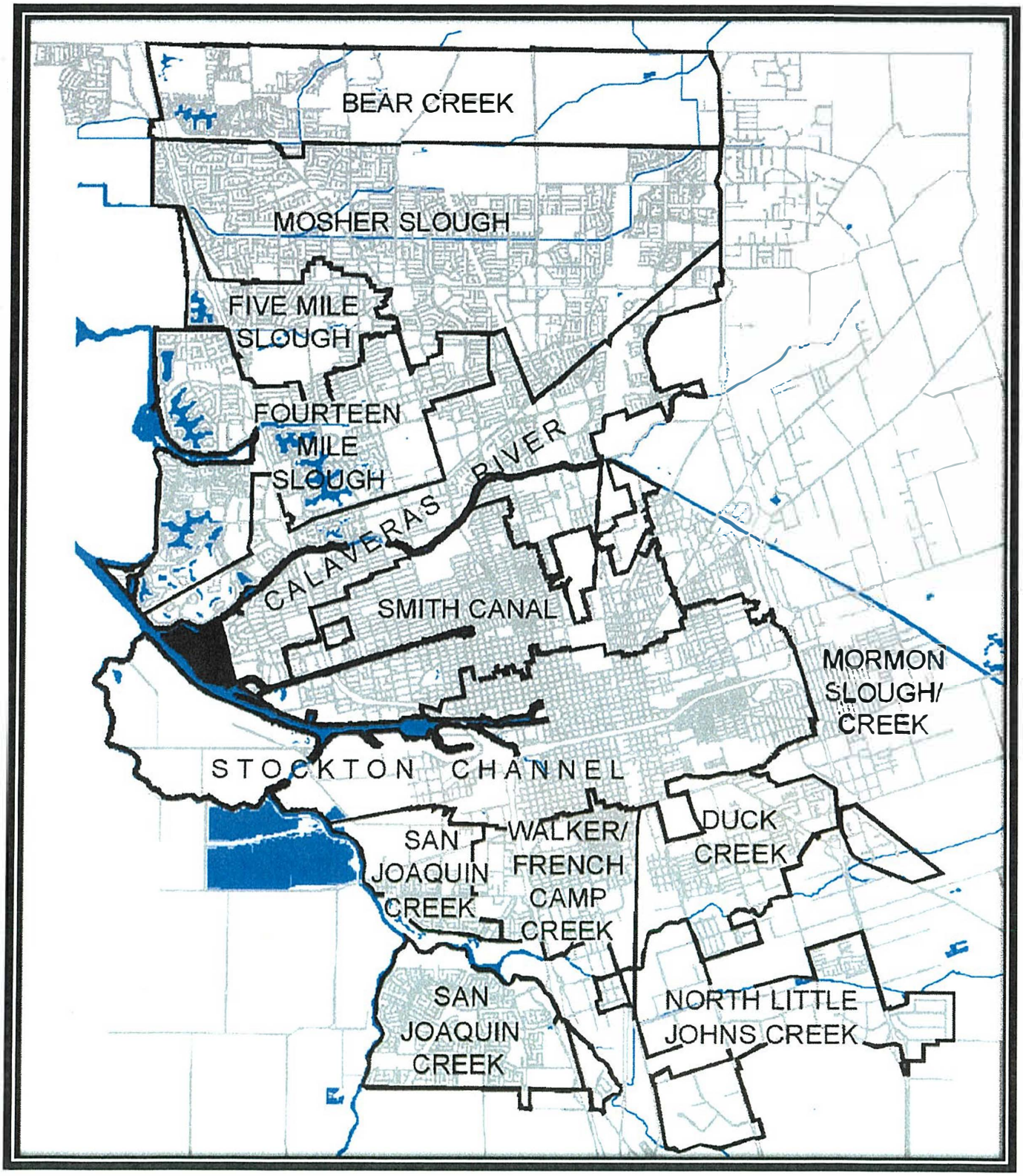
The city and surrounding areas within the SOI depend on creeks, rivers, and sloughs to collect and convey storm runoff to the San Joaquin River and the Delta. Typically, these streams originally had wide floodplains that stored large volumes of runoff. Over time, most streams have been confined by levees and their floodplains developed, limiting both the stream's capacity and the floodplain benefits associated with periodic flooding. The streams do, however, remain the backbone of the storm drain system and runoff collected within the city is, for the most part, pumped into one of these receiving waterways:

- San Joaquin River
- Bear Creek
- Mosher Slough
- Five Mile Slough, Fourteen Mile Slough and Smith Canal
- Calaveras River and the Stockton Diverting Canal
- French Camp and Walker Sloughs
- Mormon Slough and the Stockton Deep Water Channel

The City anticipates that as growth within the SOI occurs, the creeks, rivers, and sloughs mentioned above will continue to collect and convey storm runoff to the San Joaquin River and the Delta. These will remain the backbone of the storm drain system and runoff collected within the city will be, for the most part, pumped into one of these receiving waters.

Discharge water quality is governed by CVRWQCB Order No. R5-2015-0024, NPDES No. CA083470. Stormwater discharges from the Stockton urbanized area are considered significant sources of pollutants. Five Mile Slough, Mosher Slough, the Stockton Deep Water Channel, and the San Joaquin River are listed as "water quality impaired." (CVRWQCB, 2008-

2010 303(d) List of Water Quality Limited Segments, August 4, 2010). The 2023 SWMP includes monitoring programs, water quality programs that address pesticides, pathogens, and mercury, and outlines BMPs.



A significant portion of the western side of Stockton near Interstate 5 and some isolated areas in the central and eastern parts of the city are subject to inundation during a 200-year flood event. The City adopted General Plan policies requires the City to assess and ensure that new development is reasonably safe from flood risk, investigate and implement projects that would provide 200-year level of flood protection, and update land uses reflecting current floodplain mapping data. Based on SB 5 the City must make specific flood findings on development projects located within a flood hazard zone. The City's development review process ensures that storm water management improvements are constructed to standards and specifications. These standards ensures that the development will meet 200-year urban level protection.

4. Financial Ability of Agencies to Provide Services

Much like other cities, Stockton receives funds for the provision of public services through State sources, development fees, property taxes, and connection and usage fees. The City reviews its fee structures on an annual basis to ensure that they provide adequate funding to cover the provision of City services. As related to the MSR and ability to provide services to the City's SOI, there are three types of annexations:

- Greenfield areas to be annexed from the SOI into the City boundary
- DUCs adjacent to greenfield areas to be annexed into the City, and
- unincorporated county island DUCs.

For greenfield areas the City has used Community Facilities Districts and Assessment Districts to pay for infrastructure costs and then repaid those costs with property tax levies above the one-percent general property tax. The general guidance for tax levies to support bond repayment for infrastructure, schools, and other public purposes is that the total additional levy should not exceed an additional one percent. Currently, the highest total property tax rate in the City of Stockton is about 1.22 percent in many tax rate areas. This suggests that this method of paying for infrastructure cost is not overly burdensome and should support continued growth in the SOI area.

For most CFDs and assessment districts, the added property tax must be approved by a Proposition 218 vote. Thus, CFDs and Assessment Districts may work for greenfield areas annexations and are challenging for DUCs and island areas unless property owners/registered voters can expect to gain some value from connecting to public services and pay a monthly bill. In all likelihood, extending sewer and storm water lines into DUCs will require substantial grant funding. Many grants are competitive and thus cannot be relied upon for forecasting purposes.

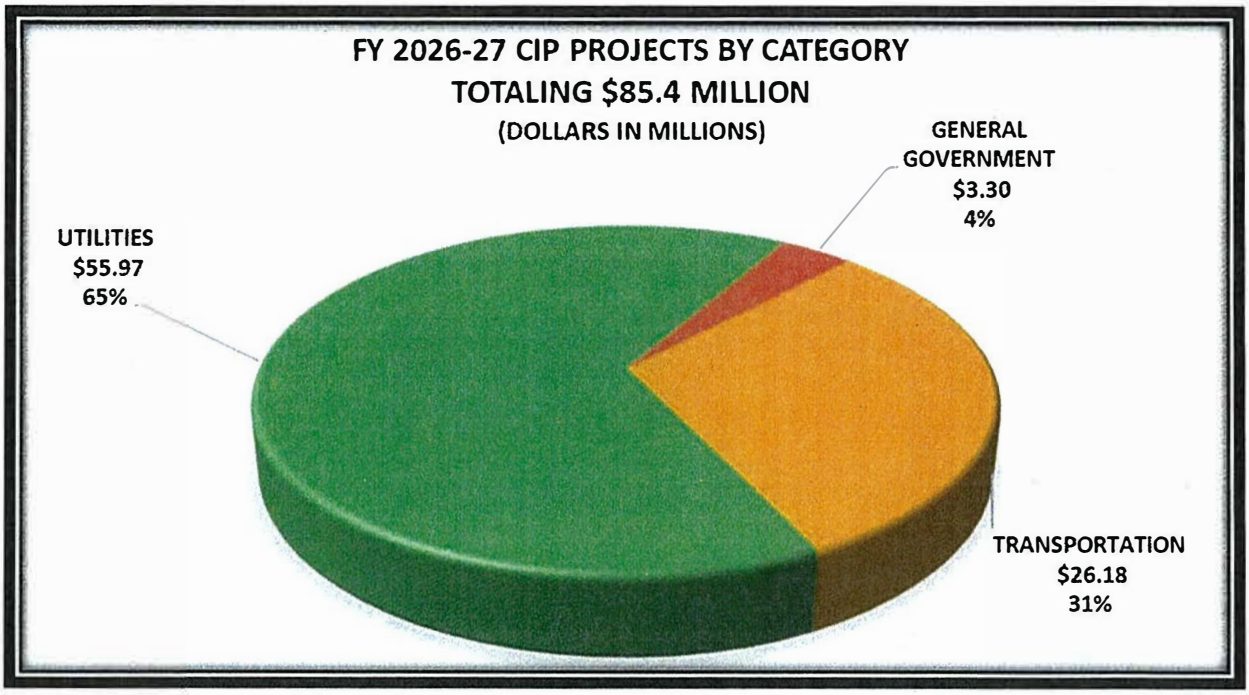
The most recent City of Stockton Annual Financial Report (AFR) was approved in September 2025 for FY 2023-24. According to the report, financial results for the year compared favorably with budget estimates in most areas of the City's operations.

The MSR shows the following components of the FY 2026/2027 Budget:

	Operating Budget	Debt Service Budget	Capital Budget	Total	% of Total
Program Appropriations					
Utilities	$ 144,728,531	$ 23,077,911	$ 57,167,000	$ 224,973,442	21%
Police	202,148,648	-	21,555	202,170,203	19%
Insurance and Benefits - Internal Service Funds	201,814,572	-	-	201,814,572	19%
Fire	101,219,637	-	345,000	101,564,637	10%
Public Works	72,112,405	-	19,866,070	91,978,475	9%
Administration	47,260,579	-	4,650,992	51,911,571	5%
Community Services	37,944,569	-	-	37,944,569	4%
Economic Development	37,009,318	2,481,927	4,932,310	44,423,555	4%
Community Development	16,819,744	-	-	16,819,744	2%
Non-Departmental Funds					
Capital Projects Funds	366,588	-	30,331,293	30,697,881	3%
Non-Departmental	23,959,098	-	1,800,000	25,759,098	2%
Debt Service Funds	1,378,681	18,440,931	-	19,819,612	2%
	$ 886,762,369	$ 44,000,769	$ 119,114,220	$ 1,049,877,358	100%

Pursuant to Government Code Section 56668(k) The ability of the ... receiving entity to provide the services ... including the sufficiency of revenues for those services following the proposed boundary change", LAFCo will check the stated MSR intention to limit the cost-of-service extensions to annexation areas to the amount of General Fund revenue that would be generated from those areas. Thus, for greenfield and DUC annexations, the debt service budget and the capital budget, along with CFDs and EIFDs, are foreseen as the likely ways the City will pay for infrastructure extensions. Debt service is typically bond issuances that require covenants obligations for repayment to bond holders. Those payments can be financed by future benefiting property owners via a 218 vote prior to recordation of final maps. The MSR has information on the types and history of debt service expenditures of the City.

Pursuant to GC Sections 56668(g)&(h), LAFCo can ensure that needed improvements are concurrent with need as programmed in the City's Capital Improvement Program (CIP). The City is a 5 year programming tool used to schedule improvements based on when anticipated funding becomes available. The CIP includes a list of projects with a total value of $1.58 billion, including Municipal Utility projects of $213.9 million, transportation projects of $948.02 million, and other citywide projects of $416.9 million. The first year of the CIP is financially constrained and reflects projects that the City has identified secured funding. Future CIP years in the CIP reflects the City's unfunded facilities and needs in addition to projects with identified or anticipated funding. The capital program envisions funding $85.4 million in projects in FY 2026-27.

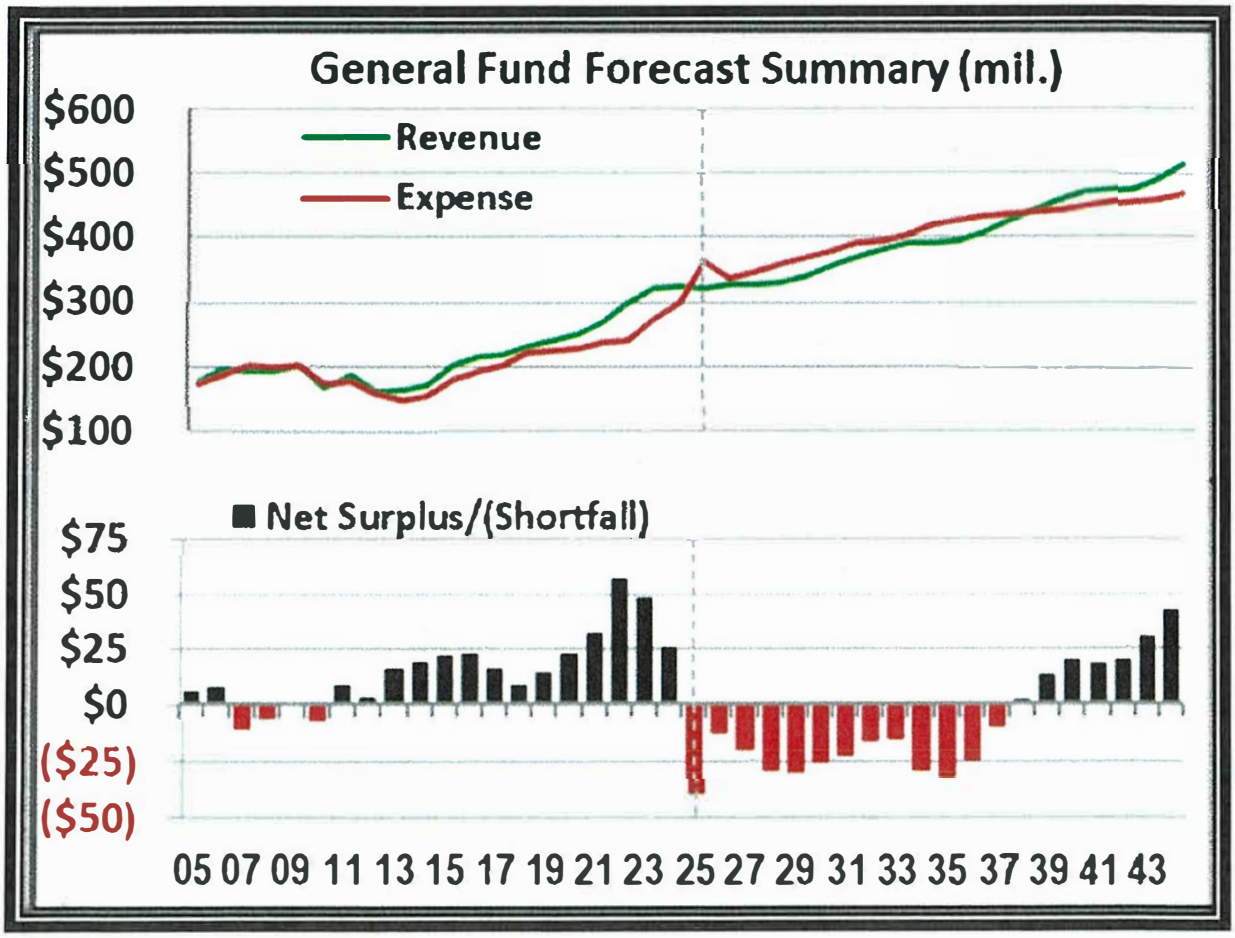


The adopted FY 2026/2027 budget is a balanced budget with general fund revenues and expenditures balanced at $344,477,047. Total General Fund expenditures is an increase of $16.2 million from the FY 2025-26 Adopted Budget with approximately $14.2 million of that increase to support public safety. The forecasted revenues of $344.5 million are also $16.2 million higher than the $328.3 million than the FY 2025-26 budget.

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Projection	FY 2026-27 Budget
Beginning Available Balance	**$ 61,447,389**	**$ 65,751,331**	**$ 51,399,634**	**$ 51,951,900**
Revenues	325,328,849	336,231,368	332,128,688	344,477,047
	325,328,849	**336,231,368**	**332,128,688**	**344,477,047**
Expenditures				
Employee Services	186,881,965	214,543,515	213,059,055	227,268,321
Other Services	63,572,493	68,471,222	80,954,417	82,397,825
Materials & Supplies	6,655,915	7,030,895	10,452,410	8,388,086
Other Expenses	4,223,035	3,424,825	3,101,222	3,967,301
Capital Outlay	515,418	694,044	1,907,815	71,555
Loan Repayment	9,061,425	8,505,032	9,280,612	6,688,930
Transfer Out	36,598,402	48,539,346	17,151,237	15,695,029
	307,508,654	**351,208,879**	**335,906,768**	**344,477,047**
Net Annual Activity	**17,820,195**	**(14,977,511)**	**(3,778,080)**	**-**

Overall, the FY 2026/2027.shows a general fund working capital balance reserve of 15% ($51,951,900 balance with $344,447,047 expenditures). The build-up and expenditures from reserves is fundamental to the City's adopted Long-Range Financial Plan (L-RFP). The L-RFP extends 30 years and serves to inform the City's decision making to enable the City to achieve and maintain a healthy General Fund reserve balance. This tool is intended to allow the City to weather future adverse economic conditions and build its capacity to increase the level of service.

The L-RFP anticipates that General Fund expenditures are projected to exceed revenue between FY 2024-25 and FY 2037-38. However, a net surplus is projected to re-emerge in the late 2030's, and the L-RFP demonstrates that the City meets three critical tests of solvency: cash solvency, budget solvency, and service solvency. Both property and sales tax revenues have recovered better than originally projected, and the City will limit the cost-of-service extensions to any new annexation areas to the amount of General Fund revenue that would be generated from those.



(5) Status of, and opportunities for, shared facilities. The City has a long history of sharing facilities and services with other agencies. In addition to the water service planning/project delivery partnerships with other water agencies/purveyors stated in the MSR, noteworthy efforts of shared facilities include library and fire dispatch services. The City is a partner and co-lead agency for the

Stockton-San Joaquin public library. The library has 16 branches located throughout San Joaquin County. The City of Stockton's Regional Fire and Emergency Dispatch Center are provided from the City's central fire station, Station 2, located at 110 W. Sonora Street. Shift staffing includes one supervisor and three telecommunicators in which dispatch personnel work 24-hour shifts. The dispatch center provides emergency dispatch services to:

- Lathrop-Manteca Fire Protection District
- City of Manteca
- City of Lodi
- South San Joaquin County Fire Authority.

Thus the determination that the City of Stockton has a long history of working with other public service providers to share facilities and resources. This includes a variety of special districts and San Joaquin County departments that provide services to the residents within the city and the unincorporated area

6. Government Management and Structure Determinations. The City of Stockton was incorporated in 1850 as a Charter City. Today Stockton operates under a Manager/Council form of government with approximately 1400 employees. The City has a (7) seven-member, elected City Council. The six Councilmembers are nominated and elected by the districts they represent. The Mayor is nominated and elected citywide:

Together, the Mayor and City Council is the City's governing body, with primary responsibility for enacting legislation and policies. The Mayor and City Council Members are elected to four-year terms and both are subject to a two-term limit. Regular City Council meetings are held on Tuesdays at 1:00 p.m. in the Council Chambers of City Hall, 501 W. Weber Avenue, Building 1, with Special Meetings being scheduled on an as-needed basis by the City Council.

The City Council appoints the seven-person Planning Commission, of which each member serves a four-year term. The Commission meets on the second and fourth Thursday of each month at 5:30 p.m., in the Council Chambers of City Hall, 501 W. Weber Avenue, Building 1, with some meetings being subject to cancellation.

City Hall, with the primary City administrative functions, is located at 501 W. Weber Avenue, Building 1 and Building 2, and is open to the public for city business during normal working hours, between 7:30 a.m. and 5:30 p.m. Monday through Thursday. City offices are open every other Friday from 8:00 a.m. to 5:00 p.m. and closed on the remaining Fridays.

The Municipal Utilities department, which provides water, wastewater, stormwater, and environmental protection resources is located at 2500 Navy Drive and is open to the public for City business during normal working hours.

The City provides its residents with information on City policy and upcoming opportunities for public involvement on its website and on Channel 97. In addition, residents also are notified of public hearings as required by law. The Stockton Record also provides information to the community regarding City activities.

The City prepares annual reports as required by State and federal regulations. These include annual reports on General Plan implementation progress, water quality, growth for the California Department of Finance, and CDBG implementation. These reports are available to the public for review and comment.

The City of Stockton, San Joaquin County, and several other special districts and private utility companies (e.g., Cal Water) provide services and infrastructure within the incorporated and unincorporated areas of the SOI. Expansion of urban development within the SOI is dependent upon the extension of infrastructure and provision of services from the City of Stockton. The Stockton City Council establishes fee structures and directs the provision of police, fire, water, wastewater, and stormwater drainage services based on service level goals and standards.

The MSR states that, " The City intends to work with property owners and the County to annex all areas within its SOI to consolidate services and increase efficiencies and infrastructure and service deliveries." That intention is consistent with the legislative intent stated in GC Section 56001 as well as requirements of GC Section 56430(b). LAFCo processes will ensure that agency and public comments are taken into account when reviewing annexation consistent with GC Sections 56668(j)&(n). The master property tax sharing agreement between the City and County pursuant to Section 99 of the State Revenue and Taxation Code is expected to address any impacts to the agencies with territory within the City's SOI. Those agencies include, but not limited to:

Rural Fire Protection Districts
Lincoln Fire Protection District
Woodbridge Fire Protection District
Waterloo-Morada Fire Protection District
Eastside Fire Protection District
Montezuma Fire Protection District
Collegeville Fire Protection District
Lathrop-Manteca Fire Protection District
French Camp-McKinley Fire Protection District
Tuxedo-County Club Fire Protection District
Irrigation/Water Conservation Districts
Woodbridge Irrigation District
North San Joaquin Water Conservation District
Stockton East Water District
Central San Joaquin Water Conservation District
South San Joaquin Irrigation District
County Service Areas
3A-Tallahatchy
15-Waterloo-99
17-Cherokee Industrial Park
41-Zone C Solari Ranch
41-Eaglecrest

County Lighting and Maintenance Districts
Ash Street Lighting District
Boggs Tract Lighting District
Burkett Gardens Acres Lighting District
Burkett Gardens Lighting District
Colonial Heights Maintenance District
Elkhorn Golf Course Estates Maintenance District
Elkhorn Street Lighting District
Lincoln Village Maintenance District
Mariposa Heights Lighting District
Mission Village Lighting District
Northeast Stockton Lighting District
North Oaks Lighting District
North Wilson Way Lighting District
Oro Street Lighting District
Pacific Gardens Maintenance District
Plymouth Village Lighting District
Rancho San Joaquin Maintenance District
Riviera Cliffs Maintenance District
Shasta Avenue Lighting District
Silva Gardens Lighting District
South French Camp Street Lighting District
Southwest Stockton Lighting District
Stockton Lighting District No. 5
Tuxedo Country Club Lighting District
West Lane Lighting District
West Stockton Lighting District

Resolution No. 1569

Before the San Joaquin Local Agency Formation Commission (SJLAFCo)
Approving the City of Stockton 2026 Municipal Services Review (LAFC 26-26)

WHEREAS, Section 56425 of the State Government Code recommends that the Commission review and update each Sphere of Influence (SOI) every five (5) years; and

WHEREAS, Section 56076 of the State Government Code provides that a SOI means a plan for the probable physical boundaries and service area of a local governmental agency; and

WHEREAS, Section 56425(b) of the State Government Code directs that prior to a city submitting an application to the commission to update its sphere of influence, representatives from the city and representatives from the county shall meet to discuss the proposed new boundaries of the sphere and explore methods to reach agreement on development standards and planning and zoning requirements within the sphere to ensure that development within the sphere occurs in a manner that reflects the concerns of the affected city and is accomplished in a manner that promotes the logical and orderly development of areas within the sphere"; and

WHEREAS, on October 12, 2016, the representatives from the City of Stockton and County of San Joaquin met and agreed upon the boundaries of the City of Stockton Sphere of Influence (SOI); and

WHEREAS, on August 13, 2020 the Commission adopted a Municipal Service Review (MSR) demonstrating the City's ability to provide services by the City of Stockton within the boundaries of the 2016 agreement with the County of San Joaquin; and

WHEREAS, on March 17, 2026, the City of Stockton submitted an application to update the MSR in accordance with Section 56425 of the State Government Code; and

WHEREAS, on August 27, 2026, the application was determined to be complete and a Certificate of Filing was issued; and

WHEREAS, the boundaries of the City of Stockton's SOI has allowed for the logical and orderly development within it's boundaries and the City's application for the MSR update reflects the same boundaries of the 2016 SOI agreementc; and

WHEREAS, the 2020 service review found that the City Stockton has the ability to provide services within the SOI and that the boundaries are clear and definitive; and

WHEREAS, the proposed 2026 Municipal Service Review update to the City's SOI has been prepared in compliance with Section 56430 of the State Government Code; and

WHEREAS, the proposed 2026 Municipal Service Review (MSR) provides written analysis of the present and planned land uses within the City's SOI, including agricultural and open-space lands; and

WHEREAS, the MSR projects that the City's population grow by 17,099 additional residents between 2025 to 2040 for a total population of 339,184 people residing within the City of Stockton; and

WHEREAS, the MSR projects employment within the City of Stockton will grow by 13,828 new jobs for a total 179,768 jobs within the City in 2040; and

WHEREAS, the proposed service review and plan for the update provides written analysis of the present and probable need for public facilities and services for development of the territory within the SOI in accordance with the City's General Plan needed to support the population and employment growth; and

WHEREAS, the proposed service review and plan for the update provides written analysis of the present capacity of public facilities and adequacy of public services that the City of Stockton can efficiently provide to the territory within the boundaries of it's SOI; and

WHEREAS, the proposed service review and plan for the update provides written analysis demonstrating that there are needs for storm water management and sanitary sewer improvements needed to some DUC's within and contiguous to the boundaries of the SOI; and

WHEREAS, the proposed service review and plan for the update provides written analysis of the existence of the commerce and economic community within the territory of the boundaries of the SOI; and

WHEREAS, the MSR identified 20 Disadvantaged Unincorporated Communities (DUC) within or contiguous to the City of Stockton's SOI boundaries; and

WHEREAS, the MSR identified that all 20 DUC are well served with fire protection services; and

WHEREAS, the MSR identified three (3) DUC, French Camp, Waller-Childress and Sunny Road, that could enjoy the benefits delivered by a public water system; and

WHEREAS, the MSR identified three (3) DUC, French Camp, Boggs Tract and Waller-Childress, that could enjoy the benefits delivered by a public sanitary sewer system; and

WHEREAS, the MSR identified nine (9) DUC, August, French Camp, Taft Mosswood, Boggs Tract, Fremont Street, Mariposa Road, Waller-Childress, West I-5, and Sunny Road, that could enjoy the benefits of a sanitary storm water sewer system; and

WHEREAS, the MSR identified potential funding sources for providing needed services to the DUC within or contiguous to the City's SOI; and

WHEREAS, the MSR demonstrates that the City of Stockton has the financial ability to provide services to the territory within the boundaries of the City's SOI; and

WHEREAS, the MSR shows that the City currently shares and is forecasted to continually explore the opportunities for shared facilities with other cities, agencies and districts; and

WHEREAS, the MSR documents the City of Stockton's accountability for community needs, including government structure and operational efficiencies; and

WHEREAS, California Code of Regulations, Article 18, Statutory Exemptions, Section 15262, Planning and Feasibility Studies states that, "A project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted, or funded does not require the preparation of an EIR or negative declaration but does require consideration of environmental factors", and

WHEREAS, the Commission held a public hearing on the City ot Stockton Municipal Services Review update on November 12, 2026 in the Board of Supervisors Chamber, 44 North San Joaquin Street, 6th Floor, Stockton, California, pursuant to notice of hearing which was posted and published in accordance with State law; and

WHEREAS, this Commission duly considered the staff report, presentation, comments and discussion regarding the MSR update for the City of Stockton.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVES, DETERMINES AND ORDERS as follows:

Section 1. Certifies that the proposed City of Stockton 2026 MSR update is exempt from further environmental impact analysis pursuant to Section 15262,

Feasibility and Planning Studies, of the California Environmental Quality Act Guidelines, State Code of Regulations.

Section 2. The 2026 MSR update provides for the planning and shaping for the logical, orderly development of the City of Stockton.

Section 3. The 2026 MSR update advantageously provides for the present and future needs of San Joaquin County and the City of Stockton.

Section 4. The 2026 MSR update documents determinations required by Section 56430 of the State Government Code and the Commission adopts said determinations that are incorporated herein by reference.

Section 5. The City of Stockton 2026 MSR update is hereby approved as shown in Exhibit A, attached.

Section 6. The Executive Officer is hereby authorized and directed to distribute copies of the adopted MSR update and this resolution to affected agencies and interested parties.

Section 7. Prior to issuance of a Certificate of Completion, the Executive Officer is authorized to take necessary actions to ensure that all parties are made whole in form of payment for services rendered during the processing and evaluation of the 2026 MSR update.

Section 8. The City of Stockton, shall defend, indemnify, and hold harmless SJLAFCo, its agents, officers, and employees, from any claim, action, or proceeding against SJLAFCo, its agents, officers, and employees, to attack, set aside, void or annul SJLAFCo's approval of the service review and plan update to PSA1, Patterson Pass Business Park, adoption of this Resolution, or any of the terms and conditions set forth herein.

Section 9. As allowed under Government Code Section 56107 and Government Code Section 56883, the Commission authorizes the Executive Officer to make non-substantive corrections to this Resolution to address any technical defects, clerical errors, mistakes, irregularities, or omissions.

Section 10. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable.

Section 11. The Commission finds that the proposed City of Stockton 2026 MSR update will be for the interest of residents, landowners and businesses within the boundaries of the City's SOI.

PASSED AND ADOPTED this 12th day of Novmber 2026 by the following roll call vote:

AYES:

NOES:

ABSTAIN:

STEPHEN DING, Chairperson
San Joaquin Local Agency
Formation Commission

ATTEST:

MITZI STITES, Secretary
San Joaquin Local Agency
Formation Commission

San Joaquin LAFCO
Local Agency Formation Commission
The Gateway County

Balancing Community and Commerce

5000 SOUTH AIRPORT WAY SUITE 209 STOCKTON, CA 95202 209-468-3198

EXECUTIVE OFFICER'S REPORT

DATE: November 12, 2026
TO: Commissioners
FROM: J.D. Hightower, Executive Officer
SUBJECT: **Policy and Procedures Amendments**

RECOMMENDATION

The attached Resolutions adopt policy and procedures amendments drafted in response to the findings and recommendations of the 2026 Grand Jury report. Specifically, the following policy and procedure amendments were drafted and included in the response to the report:

- Contingency Fund
- Annual Audit
- Mid-Year Budget
- Fee Reduction/Waiver
- Sphere of Influence
- Duties of the Executive Officer
- Conflict of Interest
- Code of Ethics
- San Joaquin LAFCo Employee Handbook

A public hearing notice for these items was posted on the Commission's website (www.sjlafco.org) and published in the newspaper on October 22, 2026.

The policy amendments are exempt from further environmental review pursuant to CEQA Guidelines Section 15061(b)(3), the "common sense" exemption. CEQA applies only to projects which have the potential for causing a significant effect on the environment. The policies are administrative and there is no possibility that any of the policies will have a significant effect on the environment.

The policy and procedures cover a wide array of topics to increase the transparency and effectiveness of the Commission. The Grand Jury report highlighted some areas that could be improved upon. Staff has used the report for to ensure that the essence of the findings and recommendations and responses

thereof are reflected in policies. The response to the Grand Jury findings and recommendations is attached.

The policies are a compilation from other LAFCo's, some specifically named in the report and others via research and network. These amendments reflect policies that are intended facilitate improvement and transparency.

The drafted policies include: Contingency Reserve Fund, Annual Audit, Mid-Year Budget, Fee Reduction/Waiver and Duties of the Executive Officer are existing policy and procedures adopted by other LAFCo's mentioned in the Grand Jury report and CALAFCo network contacts.

The Conflict of Interest Statement and Code of Ethics are policies mandated by the State and is best practice to be included within the Commission's Policy and Procedures.

The LAFCo Employment Policy and Procedures was developed and reviewed by LAFCo counsel. LAFCo's are subject to civil service rules, and specific government code mandates. The Commission acting as an independent employer, its written policies must comply with California Civil Rights Department (CRD) rules, including mandatory written anti-harassment, anti-discrimination, retaliation and lactation accommodation policies. Public agencies must also address specific leave laws (such as paid sick leave, CFRA, and pregnancy disability leave) and safety requirements.

While a bound "personnel manual" isn't a standalone statutory checkbox by name, having consolidated personnel rules as a title within the Commission's Policy and Procedure Manual is a common practice for LAFCo's (El Dorado, Marin, Mendocino, Orange, Santa Cruz, San Diego). Having such rules facilitates administrative transparency.

It is staff's opinion that altogether the amendments meet the obligations stated in the response to the Grand Jury report and will result in more transparency and efficiency of services provided by the Commission.

Resolution No. 1570

Before the San Joaquin Local Agency Formation Commission (SJLAFCo) Adopting Policies Regarding Contingency Reserve Fund, Annual Audit, Mid-Year Budget Review, Fee Reduction/Waiver, Sphere of Influence, Duties of the Executive Officer, Conflict of Interest, Code of Ethics, and Employment Policy and Procedures (LAFC 26-27)

WHEREAS, Section 56300(a) of the State Government Code states the legislative intent that the Commission "shall establish written policies and procedures and exercise its powers ... consistent with those policies and procedures and that encourages and provides planned, well-ordered, efficient urban development patterns"; and

WHEREAS, Section 56300(b) states that, "Each commission ... hold a public hearing to discuss the adoption of policies and procedures to require the disclosure of contributions, expenditures, and independent expenditures"; and

WHEREAS, Section 56375(k) of the State Government Code empowers the Commission, "To appoint and assign staff personnel and to employ or contract for professional or consulting services to carry out and effect the functions of the commission"; and

WHEREAS, in June, 2026, the 2025-2026 San Joaquin County Civil Grand Jury released a report entitled, "San Joaquin Local Agency Formation Commission, Coordinating and Planning Growth, Case No. 0225; and

WHEREAS, the 2025-2026 San Joaquin County Civil Grand Jury did make San Joaquin did make eight (8) Findings and ten (10) recommendations regarding Commission operations and procedures; and

WHEREAS, on August 13, 2026 at a duly advertised public meeting the Commission did discuss and review a draft response to the 2025-2026 San Joaquin County Civil Grand Jury report; and

WHEREAS, on October 14, 2026, the Commission responded to those findings and recommendations; and

WHEREAS, the response did include Commission consideration of policies and procedures to address findings and recommendations to facilitate transparency.

WHEREAS, the Commission held a public hearing on the amendments to the Commission's Policy and Procedure manual update on November 12, 2026 in the Board of Supervisors Chamber, 44 North San Joaquin Street, 6th Floor, Stockton,

California, pursuant to notice of hearing which was posted and published in accordance with State law; and

WHEREAS, this Commission duly considered the staff report, presentation, comments and discussion regarding the service review and plan update to the Policy and Procedure Manual.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVES, DETERMINES AND ORDERS as follows:

Section 1. Certifies that the proposed amendments to the Commission's Policy and Procedure Manual is exempt from further environmental impact analysis pursuant to State Code of Regulations, CEQA Guidelines Section 15061(b)(3), the "common sense" exemption. CEQA applies only to projects which have the potential for causing a significant effect on the environment.

Section 2. The amendments facilitate transparency needed for planned, well-ordered, efficient urban development patterns for the San Joaquin region.

Section 3. The amendments advantageously provides for the present and future needs of the Commission.

Section 4. The amendments are incorporated herein by reference.

Section 5. The City of Stockton 2026 MSR update is hereby approved as shown in Exhibit A, attached.

Section 6. The Executive Officer is hereby authorized and directed to distribute copies of the amended policies and procedures and this resolution to affected agencies and interested parties.

Section 7. As allowed under Government Code Section 56107 and Government Code Section 56883, the Commission authorizes the Executive Officer to make non-substantive corrections to this Resolution to address any technical defects, clerical errors, mistakes, irregularities, or omissions.

Section 8. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable.

Section 11. The Commission finds that the proposed amendments to the Commission's policy and procedures will be for the interest of residents, landowners and businesses within the jurisdictional boundary of the Commission.

PASSED AND ADOPTED this 12th day of November 2026 by the following roll call vote:

AYES:

NOES:

ABSTAIN:

_____

STEPHEN DING, Chairperson
San Joaquin Local Agency
Formation Commission

ATTEST:

_____

MITZI STITES, Secretary
San Joaquin Local Agency
Formation Commission

San Joaquin LAFCO
Local Agency Formation Commission
The Gateway County

Balancing Community and Commerce

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DAN ARRIOLA
CITY MEMBER, TRACY

SONNY DHALIWAL
COUNTY BOARD OF SUPERVISORS

RAVDEEP "REX" DHATT
PUBLIC MEMBER

EXECUTIVE OFFICER
J.D. HIGHTOWER

CLERK/ANAYLST
MITZI STITES

ADMINISTRATIVE ASSISTANT
CLAUDIA IBOA

COUNSEL
NUBIA GOLDSTEIN

October 14, 2026

The Honorable George Abdallah, Jr., Advisor to Grand Juries
San Joaquin County Superior Court
180 E. Weber Avenue, Suite 1306J
Stockton, CA 95202

SUBJECT: San Joaquin Local Agency Formation Commission Coordinating and Planning Growth Case No. 0225

Your Honor,
Thank you and the Grand Jury for preparing the report regarding the operation of the San Joaquin Local Agency Formation Commission (SJLAFCo). The report brings forth some valid factors that the Commission acknowledges and has already taken steps to improve upon. The findings and recommendations of the report and Commission's responses, rationale, actions taken and actions to be taken are discussed below:

FINDINGS

F1. The lack of a policy to regularly conduct independent third-party financial audits means that SJLAFCo cannot assure the public that its funds are spent appropriately and that its financial statements are accurate and transparent.

F1 Reponse. SJLAFCo partially disagrees with this finding. All revenues and expenditures are monitored by the San Joaquin Auditor's Office (CAO). SJLAFCo agrees that a private qualified auditing firm will increase transparency and disagrees that SJLAFCo cannot assure the public that funds are spent appropriately.

SJLAFCo is an independent public entity that is separate from the County of San Joaquin (County). For SJLAFCo, the County is a contractor for certain services like: communication systems, payroll, insurance pooling, geographic information system

maintenance, accounts payable, office space rent, and payroll. Currently all financial transactions are via the County of San Joaquin Auditor's Office. Because SJLAFCo is an independent public entity, the CAO is a third party.

The County provides SJLAFCo with access to the Workday system. SJLAFCo staff enters all draw warrants and claims into the financial system which tracks SJLAFCo's revenues and expenditures. The system is used in completing payroll, budgeting, and accounts receivable/payable transactions. The Commission's financial records, however, are separate and excluded from the County's external audit process.

The accounts payable service that the County entails submittal of contracts and receipts, for contractual services W-9's, to the County Auditor's Office prior to payment of the first invoice. Other non-contract day to day expenditures require receipts and justifications thereof prior to reimbursement.

Thus, SJLAFCo revenues and expenditures of public funds are continually audited. Noteworthy is that Local Agency Formation Commissions (LAFCo's) are not strictly required by state statute to perform annual audits. SJLAFCo is, as independent public entity, committed to ensuring fiscal transparency.

Demonstrating this commitment, SJLAFCo has executed a four (4) year contract with Vasquez + Company, LLC for the fiscal years ending June 30, 2026, June 30, 2027, June 30, 2028 and June 30, 2029 with an option for one additional fiscal year, ending June 30, 2030. Please find attached the contract between SJLAFCo and Vasquez + Company. .

F2. If is not clear how SJLAFCo is funding it's reserves or how the reserves area managed. SJLAFCo's accounting procedures do not include a policy for the management of its Contingency Reserve Fund. The public is unaware of the scope and purpose of the fund, how the fund is used and replenished, and what the appropriate balance ought to be.

Response F2. SJLAFCo currently disagrees with this finding as SJLAFCo recognized the need for transparency regarding the CRF and has already adopted a policy for the management of the CRF. On June 11, 2026, the Commission approved the FY 2026/2027 operating budget that addressed the Contingency Reserve Fund (CRF). The Executive Officer Staff Report stated the rational for different uses of the CRF:

> 1) Litigation - restricted funds for use in the event of significant legal costs or lawsuits involving SJLAFCo. Staff recommends a minimum balance of $150,000.00.

2) Compensated absences liability -- restricted funds to offset anticipated agency liabilities including employee vacation and administrative leave payouts. Minimum balance to be 75% of eligible total pay-out liability. Total eligible leave pay-out is two weeks (80 hours) per fiscal year. Currently 75% of eligible leave pay-out is $7,323.6, staff recommends a minimum balance of $7,500.

3) Pension/OPES liabilities -- restricted funds for the purposes of achieving and maintaining a reasonable amount of reserve funds for covering future pension/OPES obligations. Staff is working with SJCERA to determine the appropriate minimum level. The Commission may make contributions above current minimums with the intention of paying down OPEB liabilities. Minimum initial balance to be $10,000.

4) Working Capital - unrestricted funds the purpose and objective of which shall be to meet needs associated with planned and unplanned non-recurring expenses such as those that may be necessary to assist with operational fluctuations in revenues; expenses that may occur on a year-to-year basis; one time investments in either programs and/or grant expenses; and reimbursement of expenses incurred by other reserve categories to ensure minimum balances are maintained. The Working Capital Reserved forecasted balance on June 30, 2027 is $807,996.35.

Commission Resolution 1564 memorialized two (2) directions regarding the CRF that:

Section 5. The Commission hereby adopts separate Contingency Reserve Funds categories of Litigation, Compensated Absences, Pension/OPES and Working Capital with minimum balances as stated in the Executive Officer's Staff Report.

Section 6. The Commission hereby directs the Executive Officer to report on the status of each category of Contingency Reserve Funds as part of mid-year and annual budget preparation and review processes.

Both the June 11, 2026 FY 2026/2027 Budget Executive Officer Staff Report and Resolution 1564 are posted on the SJLAFCo website at https://www.sjlafco.org/2026-06-11-commission-meeting#docaccess-f9c9996dc7c4e17016f7fe31babb7dae

F3. Best practices of counties such as Fresno, Santa Clara, and Sacramento include detailed workplans for the Fiscal Year with mid-year progress reports. The SJLAFCo budget for 2025-2026, on the other hand, does not include a detailed workplan to support the goals of the

Commission. Information regarding the status of current and planned MSR and SOI reviews and the scope and potential costs of planned projects are not provided. There is a lack of transparency with the public about the work that the Commission has accomplished or is planning to accomplish.

Response F3. SJLAFCo partially disagrees with Finding F3. The Cortese–Knox–Hertzberg (CKH) Local Government Reorganization Act of 2000, recognizes that, "community service priorities be established by weighing the total community service needs against the total financial resources available for securing community services; and that those community service priorities are required to reflect local circumstances, conditions and limited financial resources."

SJLAFCo is a member of the California Association of Local Agency Formation Commissions (CALAFCo) and regularly participates with other LAFCo's within the CALAFCo Central Region. Fresno and Sacramento are within the CALAFCo central region. A letter from Fresno LAFCo explains their position on the best practices on service reviews. SJLAFCo and Fresno LAFCo interpretations and practices are consistent with one another.

A majority of the work that the Commission does are reorganizations (annexations/detachments) the processing time of which are governed by Ca. Gov. Code Section 56658(h) mandates a timeframe for the evaluation of reorganization applications. This section states, "Following the issuance of the certificate of filing, the executive officer shall proceed to set the proposal for hearing and give published notice thereof as provided in this part. The date of the hearing shall be not more than 90 days after issuance of the certificate of filing or after the application is deemed to have been accepted, whichever is earlier. Notwithstanding Section 56106, the date for conducting the hearing, as determined pursuant to this subdivision, is mandatory." Such importance is given to this timeframe that unlike other sections of CKH, where timeframes are directory, 56658(h) timeframe is mandatory (Cal. Gov. Code Section 56106).

Most SJLAFCo work items are annexation and reorganization applications. Applications are evaluated to ensure that the services needed can be delivered in a cost-efficient manner and balanced with other state goals. Most applications are filed by cities and districts so that private investment can develop territory in accordance with adopted plans. Time is of the essence, and applications are evaluated and actions taken within timeframe established by Cal. Gov. Code Section 56658(h).

During that timeframe, applications are evaluated to ensure compliance with all applicable provisions and factors of CKH. Due to the mandatory timeframe and the nature of private investment schedules, it is not feasible to accurately develop a detailed work plan regarding the majority of work performed by SJLAFCo. In review of the workplans of Fresno, Santa Clara and Sacramento LAFCo workplans application evaluations are noted simply as on-going.

SJLAFCo disagrees that the FY 2025/2026 Budget did not include a detailed work schedule. The work schedule for that fiscal year is posted on the SJLAFCo website on page 165 of the June 12, 2025 meeting agenda packet. The work plan was outlined along with the accomplishments achieved by the Commission during FY 2024/2025. That work plan highlighted anticipated projects many of which required scopes of work out of SJLAFCo's control.

Every public entity is unique in their territory served, services provided, level of service delivered and other factors within their respective boundaries. This makes a cost estimate of each service review unique to an individual public entity. Providing cost estimates to the public on speculative projects would add confusion to the work of the Commission.

SJLAFCo agrees that transparency is of utmost importance. SJLAFCo has inquired about methods that would enable the public to track the progress of submitted applications. The key aspect of such an effort is cost efficiency in terms of software cost, staff time for data updating and storage of such data. SJLAFCo staff has contacted firms for providing software to enable residents track project progression, paramount issue is cost efficiency.

Cost efficiency of new systems is an important aspect and the need to balance transparency with fiscal constraints. Currently SJLAFCo is operating at $0.86 per capita. Coincidentally, this per capita cost is exactly the average cost per capita of San Joaquin along with the other three (3) LAFCo's stated in the finding – Fresno, Santa Clara and Sacramento as shown on the table below.

	FY 2026/2027 Operating Budget	1/1/2026 Population	LAFCo Cost Per Capita
San Joaquin	$ 705,699	820,125	$ 0.86
Santa Clara	$ 1,735,906	1,932,468	$ 0.90
Fresno	$ 1,020,934	1,041,679	$ 0.98
Sacramento	$ 1,218,251	1,628,349	$ 0.75
Total	$ 4,680,790	5,422,621	$ 0.86

The cost of service review preparation is both in terms of absolute cost of staff time from both the public entity as well as LAFCo. Additionally, there is an unquantifiable opportunity cost in terms of time and manpower effort required for a service review. There is a need to balance available funds for both service provision and oversight via service reviews. SJLAFCo is committed to ensuring that services provided by both local public entities and LAFCo are done so in a cost efficient manner..

F4. Special District and City SOIs are not reviewed and updated with regularity or consistency. Without regular or consistent service reviews, it is not clear that SJLAFCo can meet its objective of providing for the present and future service needs of the cities and district agencies throughout the county in accordance with Cal. Gov. Code §56301.

Response F4. SJLAFCo partially disagrees with Finding F4. LAFCo does not provide service needs of cities and districts. Rather in accordance with Cal. Gov. Code Section 56301, SJLAFCo's role is, "encouraging the efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances. One of the objectives of the Commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities." In this role, SJLAFCo contracts with the University of the Pacific Center for Business and Policy Research to provide socio-economic data for the San Joaquin region.

State law does not require Municipal Service Reviews (MSRs) to be conducted every five years. Cal. Gov. Code Section 56106 states, "Any provisions in this division governing the time within which an official or the commission is to act shall in all instances, except for notice requirements and the requirements of subdivision (h) of Section 56658, and subdivision (b) of Section 56895, be deemed directory, rather than mandatory."

As a directory time limit, Section 56106 informs SJLAFCo when a service review should be done, and allows for local conditions and circumstances to guide the need for updating a service review. This context sensitivity does not prevent the Commission from providing information needed to advantageously plan for present and future needs of San Joaquin County. Rather it allows for strategic attention needed for a thriving County.

Like Fresno LAFCo, SJLAFCo being context sensitive to the circumstances of individual districts is intended to conserve public funds. Strict adherence to

fixed timetable of when a service review must be performed an expenditure of funds could present an unintended hardship to a district and/or impact the level of service provided. It is SJLAFCo's interpretation that Section 56106 directory timeframes for processes allows context sensitivity. Meaning that the function and value of a service review changes based on its surrounding environment, situation, or background.

Service Reviews are to be conducted "in order to prepare and to update Sphere of Influence" pursuant to Cal. Gov. Code Section 56430. Cal. Gov. Code Section 56425(g) does suggest that, every five years, "the commission shall, as necessary, review and update each sphere of influence." Section 56106 makes the five (5) years a directory, to be taken as local conditions and circumstances evolve.

SJLAFCo has established a sphere of influence for every city and a wide array of special districts. Per adopted Commission Policy and Procedure, Sphere of Influence, Policy 3,"Territory will not be considered for inclusion within a City's sphere of influence unless the area is included within the city's general plan land use element."

As related to special district sphere of influences (SOI), the adopted Commission Policy and Procedure has two (2) policies that describe special district SOI and how the relationship between a district SOI and city SOI:

7. Districts and Cities: LAFCo shall encourage districts and cities to develop plans for the orderly detachment, merger/dissolution of a district when districts have significant territory within a proposed city's sphere of influence.

8. Types of Spheres: In addition to a traditional sphere, the following other types of spheres may be considered by the Commission:

a. A special district that provides services, which ultimately will be provided by another agency, will be assigned a zero sphere.

b. If additional information is necessary to determine a sphere boundary, but is currently unavailable, a partial sphere may be approved and a special study area may be designated.

c. A local agency may be allocated a coterminous sphere if there is no anticipated need for the agency's services outside its existing boundaries, or if there is insufficient information to support inclusion of areas outside the agency's boundaries in the sphere of influence

Most special district SOI's are either partial or coterminous. For special districts with boundaries that overlap with a city SOI, depending on the

proportional area of overlap, either a partial SOI or zero SOI is assigned. The key is whether with the area of overlap designated as a special study area. The special study area will require mitigation as to the loss of property tax that is expected when territory is detached and annexed into a city.

In San Joaquin, 63% of the population reside in cities (Lodi, Manteca, Mountain House, Stockton) where territorial growth within their respective SOI, and the most new housing opportunities, take place via reorganizations. Reorganizations typically include annexation to a city and detachment from a fire protection district.

Although each fire district and city are unique, there are five (5) basic types of fire protection organizational scenarios within San Joaquin County. The Commission is currently scheduled to consider a countywide Rural Fire Protection District Service Review at the September 10, 2026 meeting. to reorganizations where city growth does not involve detachment from a fire district and the territory is added via annexations:

1. **Consolidated fire protection districts.** Specifically brought forward in the Grand Jury Report, the Ripon Consolidated Fire Protection District (CFD) provides fire protection services both within and outside of the City of Ripon's incorporated boundaries as well as territory within and beyond existing the City's SOI. The same is true with the Escalon Consolidated Fire Protection District. Annexation of territory both to the City of Ripon and City of Escalon takes place without detachment from these respective districts.

2. **Joint Power Agreement (JPA).** The South County Fire Authority (SCFA) that is comprised of the City of Tracy and Tracy Rural Fire Protection District (TRFD). The City of Tracy growth takes place via annexation of territory only as the City of Tracy and TRFD have formed the South County Fire Authority that includes territory both within and outside of City boundaries and SOI. It is important to note that SJLAFCO does not have JPA regulatory and review authority under the provisions of S8 1266 (Cal Gov. Code Section 6503.8). SJLAFCo's role is to serve as a depository for associated filings.

3. **City Fire Protection by District.** The City of Lathrop has not yet formed a fire department and fire protection is currently provided by the Lathrop-Manteca Fire Protection District both within the City's incorporated boundaries and SOI. Historically the City boundaries were part of the District and the City has grown without detachment. To date the City and District enjoy a close working relationship that is foreseen to continue. The City of Mountain House contracts fire protection within it's boundaries with French

Camp-McKinely Fire Protection District. City territorial growth occurs via detachment from Tracy Rural FD.

4. **City Fire Protection via District Detachment**. The Cities of Lodi, Stockton and Manteca territorial growth occurs within the respective cites SOI after detachment from respective fire protection districts.

5. **District Protection via Contract with City**. The City of Stockton provides fire protection to districts adjacent outside of it's boundaries to the Boggs Tract, Eastside, Lincoln, and Tuxedo County Club Fire Protection Districts. Boggs Tract and County Club-Tuxedo FD's are completely surrounded by the City with the territory of those districts comprising unincorporated county islands. The territory of Eastside and Lincoln FD's are within and outside of the City's SOI.

As related to the Partial SOI that the Commission may apply to a special district, the special study area designation is the area of overlap with a city SOI boundary as stated in scenario 4 above. A special study to determine the appropriate mitigation for impact to the special district created by the loss of territory and associated property tax. The detachment from a district is required due to the hierarchy of SOI's as listed in Policy 9 of the Commission's Policy and Procedures:

9. Sphere Hierarchy: Where an area could be assigned to the sphere of influence of more than one agency providing needed service, the following hierarchy shall apply dependent upon ability to serve, unless an agency or district has specialized capacity to provide such service:

a. Inclusion within a municipality sphere of influence.

b. Inclusion within a multipurpose district sphere of influence.

c. Inclusion within a single-purpose district sphere of influence

It should be noted that the Commission may direct completion of an MSR for one or more agencies and for any reason at any time as the Commission finds as necessary. A second phase of the evaluation of rural fire districts, a governance study, will be conducted to see if there are opportunities to achieve economies of scale after adoption of the service reviews.

SJLAFCo agrees that special district and some city SOI's are not reviewed and updated with regularity. Nor should they be. Population growth is a primary reason why development occurs. For cities and agencies that are experiencing a low rate of population growth, the rate of change in demand for public services provided and level of service delivered is relatively stable. Cal. Gov.

Sections 56106 and 56425(g) recognize this by providing discretion to the Commission when local conditions and circumstances make, "...necessary, review and update each sphere of influence."

Without a definition of "as necessary" within the Cortese-Knox-Hertzberg Act (CKH) SJLAFCo uses the common definition. A search for a definition of the phrase "as necessary" found it defined as:

> *as needed, when required, or according to what is called for by the situation. It describes an action that is done only if or when a need arises, rather than on a strict or fixed schedule.*
>
> *According to need; when necessary; not on a fixed schedule: This phrase indicates that an action should be performed only when a requirement or condition arises, rather than at predetermined times.*

The definitions above are consistent with directory nature Cal. Gov. Code Section 56106, Time for action directory rather than mandatory.

Both Cal. Gov. Code Section 56106 and common definition of the term "as necessary" implies a degree of judgment and discretion on the part of the LAFCo that is performing the service review. The exchange of ideas regarding the interpretation of directory actions is a benefit that SJLAFCo receives as a member of the California Association of Local Agency Formation Commissions (CALAFCo). The exchange of ideas regarding practices and policies is why Fresno LAFCo and SJLAFCo are much alike.

The first factor of 17 listed in Cal. Gov. Code Section 56668, Factors to be Considered in Review of Proposal, is population. Sub-section (a) clarifies that states that, "Population and population density ... proximity to other populated areas; and the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years" is a factor that LAFCo's must consider for annexations.

The rate of population growth within boundaries is a factor that is measurable, available and that all public entities have in common. The table below shows that the cities of Ripon, Stockton, Lodi and Escalon have experienced population growth at a significantly lower rate than the county average.

Entity	2010 (Census)	2020 (Census)	2026	Growth Rate
Lathrop	18,023	28,681	40,942	7.06%
Mountain House*	9,657	24,499	30,687	5.64%
Manteca	67,096	83,529	96,511	2.44%
Tracy	82,922	92,959	99,705	1.12%
County Total	**685306**	**779233**	**820,125**	**1.09%**
Ripon	14,297	15,988	15,873	0.61%
Stockton	291,707	320,290	322,436	0.59%
Lodi	62,134	66,128	68,513	0.57%
Escalon	7,132	7,444	7,304	0.13%
Balance of County	141,995	164,214	138,154	-0.15%
* Incorporated 2024, growth rate for city since				

San Joaquin Population Growth Rates

Of the four (4) cities that are experiencing lower than county average growth, the City of Stockton and the City of Ripon service reviews are currently older than five years. The City of Stockton has submitted a draft service review and resubmitted based on the first round of comments.

It is staff's understanding that the City of Ripon is beginning a General Plan Update process this fiscal year. The Commission's Policy and Procedure Manual, Policies and Procedures for Spheres of Influence, has two policies that address Ripon's general plan update and it's Sphere of Influence:

> **2. Consistency Required:** Territory will not be considered for inclusion within a City's sphere of influence unless the area is included within the city's general plan land use element.
>
> **3. General Plan Approach:** LAFCo would prefer a sphere of influence proposal where the city has adopted general plan policies ... that address: smart growth principles; infill and redevelopment strategies to minimize conversion of open space/agricultural land; mixed use and increased densities; job development centers; community buffers; and habitat, agriculture and open space preservation strategies.

Many of the special districts providing services within the unincorporated areas of the county generally have not experienced significant rates of population growth.

The decrease in population in the unincorporated area is primarily due to the incorporation of the City of Mountain House and attrition due to

annexation/reorganization of territory to cities. LAFCo has contacted the UOP Center for Business and Policy research for population estimates for fire and irrigation districts during FY 2026/2027 and making such available on the SJ Socio-Economic data website.

Using the rate of population growth to determine when a service review is necessary may prolong the directory five (5) year time span of such. This is due to the projected statewide population stabilization. The California Department of Finance projects that there will be about the same number of residents within the State in 2070 (39,853,687) as 2030 (39,879,496).

While statewide population is forecasted to stabilize, San Joaquin will continue to grow at a modest rate. Proportionally more state residents will call San Joaquin home in 2070 (2.89%) than 2030 (2.07) with an average rate of population growth of 0.85%. For comparison, the average rate of population growth in San Joaquin from 2010 to 2026 was 1.98%. The table below shows the forecasted population of the cities and unincorporated areas.

Entity	2030	2040	2050	2060	2070	Average Rate
County Total	851,471	947,828	1,030,829	1,093,562	1,149,051	0.87%
Escalon	7,292	7,545	7,834	8,074	8,335	0.36%
Lathrop	47,057	61,305	72,485	80,587	86,998	2.12%
Lodi	69,828	75,172	80,089	83,905	87,497	0.63%
Manteca	103,975	123,146	138,751	150,258	159,809	1.34%
Mountain House	31,796	35,270	38,277	40,555	42,581	0.85%
Ripon	16,191	17,457	18,616	19,515	20,358	0.64%
Stockton	328,366	352,987	375,732	393,412	410,111	0.62%
Tracy	103,818	116,159	126,717	134,674	141,662	0.91%
Balance of Coun	143,148	158,787	172,327	182,582	191,701	0.85%

San Joaquin 2070 Population Projection

The demand for public services is expected to grow in San Joaquin at a rate proportional with population growth. Altogether, the projected reduction in the rate of growth in San Joaquin may have an impact on the frequency on the preparation of service reviews

F5. SJLAFCo does not have a plan or status tracking mechanism that is visible to the public for assuring that agency MSRs and SOIs are reviewed and updated every 5 years in accordance with its policy. The public does not have a full picture of what, and when, city or district agencies have been reviewed or are planned for review regarding their service capacity or financial ability.

Response F5. SJLAFCo partially disagrees with this finding. All service reviews are posted on the SJLAFCo website, www.sjlafco.org. As stated above, the five (5) year time span between service reviews is directory and not mandated. SJLAFCo's practice is that service reviews are performed as necessary. That determination is directly correlated to the population growth rates that a public entity has been or expected to be experiencing.

Although service reviews are useful tools for evaluating financial abilities, there are other tools in the public information toolbox. Financial audits of public entities are conducted every year. The Capital Improvement Program (CIP) of a public entity is typically reviewed and approved during adoption of the annual operating budget. SJLAFCo regularly searches for public information from other government sources to verify information submitted as part of an application.

F6. Even though Cal. Gov. Code §56425(g) allows for SOI reviews to be carried out "as necessary" it is not clear what criteria is used to determine "necessity." The Commission is not fulfilling its objective of furnishing information regarding the logical and reasonable development of the local agencies in the county.

Response F6. SJLAFCo partially disagrees with this finding. As stated in F4 and F5 responses, the rate of population growth within the boundaries of a public entity is the primary driver of when a service review is necessary. Due to the wide array of special districts and services provided by a city, the rate of population growth is the prime denominator of making this determination. Comparing an entity's rate to the overall San Joaquin average is what SJLAFCo uses to determine if a service review is necessary.

SJLAFCo disagrees with the statement that the Commission is not fulfilling its objective of furnishing information regarding the logical and reasonable development of the local agencies in the county. Rather, SJLAFCo is exceeding the minimum requirements by annually updating needed socio-economic data so that public entities can make informed decisions.

SJLAFCo practices continual self-improvement for transparency, we are open to making changes necessary to deliver needed information. Please review the information available on the SJLAFCo website and give specific suggestions on

information that is would be useful. SJLAFCo is willing to research, interpret and communicate to facilitate the exchange of ideas needed to ensure a logical and reasonable development of San Joaquin's local agencies.

Part of this commitment is reflected in SJLAFCo's partnership with the University of the Pacific Center for Business and Policy Research (CBPR). CBPR maintains and updates socio-economic conditions within San Joaquin. SJLAFCo staff has attended and made presentations to local agencies advisory and decision-making bodies regarding factors, policies and procedures for contemplated actions. SJLAFCo is a regular participant in the North Valley Thrive project that includes public entity staff from San Joaquin, Stanislaus and Merced counties.

Please give specific examples of when information was not provided on a request by an agency. SJLAFCo will take corrective action on any trend regarding such requests.

F7. Given the large number of special districts and other local agencies under SJLAFCo jurisdiction, the SJLAFCo staffing level available for future planning and for active MSR and SOI analyses may not be adequate to perform the work required to fulfill the mission of SJLAFCo.

Response F7. SJLAFCo partially disagrees with this finding. With funding for a small staff (2.4 FTE), SJLAFCo seeks to maximize labor efficiency by using available technological tools. For the analysis and evaluations of service reviews, SJLAFCo trusts and verifies applicant submitted services reviews by requiring applicant public entities to also provide source documents used within the review.

To implement efficient review, SJLAFCo has entered into a contract with The Paperwork Company (TPC) that has increased staff's analytical capacity by leveraging advanced data analytics. The TPC system performs a comprehensive gap analysis by cross-referencing the claims made in the MSR directly against the raw source documents and official records provided by the public entity. This ensures a highly accurate, evidence-based review process without requiring a massive expansion of internal staff and ensures that every review is grounded in verified public data. .

Maximizing labor efficiency enables the Commission to maintain its current staffing level while planning for the future. Further maximizing Commission staff efficiency is the use of consultants when needed.

F8. The lack of a plan for mentorship, succession, cross-training, or for regular updating of internal policies and procedures could lead to operational inefficiencies during periods of staff transitions.

Response F8. SJLAFCo partially disagrees with this finding. The vulnerable position is the Executive Officer (EO) position. The current EO has stated

intentions of leaving employment during the third quarter of FY2027/2028. As such, the Commission will start a recruitment effort during the first quarter of FY 2027/2028, with intent of hiring an Assistant EO (AEO) by the beginning of the second quarter FY2027/2028. This will allow approximately six month transition time for the selected AEO and current EO to work together. Upon the current EO separation from SJLAFCo via retirement, the intention is that the selected AEO should or could be uniquely qualified to assume the EO position.

The Commission currently has a SJLAFCo Policy and Procedure Manual that covers how the Commission operates and factors taken into account for various types of reviews and actions. The Policy and Procedure Manual, Rules of the San Joaquin Local Agency Formation Commission, Chapter IV, Duties of the Executive Officer states:

> **Section 15.** The Executive Officer appointed by the Commission shall attend each meeting of the Commission and maintain a record of all proceedings. The Commission shall set forth the duties of the Executive Officer in job specifications or other such documents.
>
> **Section 16.** The Executive Officer shall prepare an agenda for each meeting. The agenda shall comply with the Cortese-Knox-Hertzberg Government Reorganization Act of 2000 and the Ralph M. Brown Act.

A more thorough description of needed knowledge, skills and abilities of the Executive Officer is expected to be reviewed and approved by the Commission by the end of the second quarter of FY 2026/2027.

Existing polices regarding the Executive Officer position are posted on the SJLAFCo website at https://www.sjlafco.org/policies-and-procedures. This manual was last updated on June 13, 2024.

To facilitate the recruitment effort, the Commission is scheduled to consider it's first personnel policy manual during the second quarter of FY 2026/2027. The personal policy manual will complement and provide a finer grain of detail regarding all positions, including the Executive Officer, in an effort to facilitate succession planning efforts.

RECOMMENDATIONS

R1. Review and revise the SJLAFCo financial and accounting procedures to include a requirement for regular (e.g., annual or biannual) independent third-party audits of its financial statements. The revised procedures should include the best practices of other similar LAFCos (F1).

Response R1 This recommendation will be brought to the Commission by the second quarter of FY 2027/2028 for implementation.

R2 Review and revise the financial and accounting procedures to include the Commission's policy and requirements for managing, documenting and auditing The Contingency Reserve Fund (F2).

Response R2 This recommendation was implemented with the adoption of the FY 2026/2027 budget resolution as discussed in the response to Finding 2. Please reference the June 11, 2026 FY 2026/2027 Budget Executive Officer Staff Report and Resolution 1564 on the SJLAFCo website at https://www.sjlafco.org/2026-06-11-commission-meeting#docaccess-f9c9996dc7c4e17016f7fe31babb7dae.

A policy will be adopted for inclusion into the Commission's Policy and Procedure Manual by the second quarter of FY 2026/2027.

R3 Develop a policy for a formal review that includes a mid-year progress report of its accomplishments regarding the previous year's goals and present its findings during the appropriate regular Commission meeting (F3).

Response R3 This recommendation has already been implemented as it is being practiced by the Commission. The mid-year budget report is usually discussed at the February or March Commission hearing date. A link to the most recent mid-year report, FY 2025/2026, February 12, 2026, Agenda Item 4, Special Matters, is found at: https://www.sjlafco.org/2026-02-12-commission-meeting#docaccess-07b8fd1f04cbc19b2c5fa15ab45ddd6a3bbd400309e2ba22cda25f979835c1f6.

A formal policy amending the Commission's Policy and Procedure Manual is expected to be adopted by the third (3rd) quarter of FY 2026/2027.

R4 Update the SJLAFCo Service Review Policy to be consistent with the best practices of other similar county LAFCos (F3, F4 and F5).

Response R4 This recommendation has not yet been implemented, but will be implemented in the future with anticipated adoption by the end of the second (2nd) quarter of FY 2026/2027.

R5 Update the SJLAFCo Service Review Policy to include a requirement for an annual update of all districts regarding their status of MSR and SOI review and for planning for MSRs for all districts at least every five years unless explicitly determined not to be required or required at a different interval (F5)

This recommendation has not yet been implemented, but will be implemented in the future, by the end of the second (2nd) quarter of FY 2026/2027.

R6 During the annual budget process, develop a complete and detailed workplan, using the best practices of similar LAFCOs, to describe its goals and the work it anticipates accomplishing over the next fiscal year. The plan should consider all districts within the agency's jurisdiction regarding their need for SOI and MSR review, their status regarding previous reviews, and a plan for future reviews in consideration of Cal. Gov. Code §56425(g). The workplan should also detail other planned projects for the next fiscal year (F3, F4, F5 and F6).

Response R6: This recommendation requires further analysis with a need to evaluate the balance between capital and labor investment. That study of the balance between capital and labor is currently in preliminary stages and is foreseen as being on-going as the balance between capital and labor is dynamic.

Staff is developing key performance indices intended to generate a matrix of measurable performance based indicators of when a MSR may be warranted. These indices will vary depending on services provided and can either be completed by LAFCo staff and/or agency self-certification with verification by SJLAFCo.

The sheer number of special districts and relationships between both other districts and cities, as an example please see fire district discussion in Finding 4, requires additional evaluation of methods to balance capital investment tools like artificial intelligence (AI) with labor costs (employees). Staff has received one estimate, with significant initial capital start-up cost and on-going maintenance costs that needs comparison to the supply and technical proficiency of labor cost.

Options for such will be brought forward in the overall service modernization considerations moving forward. Please note that the timeframe stated in Cal. Gov. Code Section 56425(g) is directory and not mandatory. Once an evaluation of efficiency service delivery, the balance of capital and labor costs, the indices of performance indicator matrices will be part of a more descriptive workplan starting in FY 2027/2028.

R7 During the annual budget process, consider adding additional staff to assist with forward-looking planning and scheduling. Additional staff could also support the review process for active SOIs and MSRs (F7).

Response R7: This recommendation requires further analysis. Determining the appropriate staffing level is a consideration taken into account by the Commission each and every fiscal year. Population growth rate, please refer to response in Finding 4, is a prime consideration of appropriate staffing level. As the population growth rate in San Joaquin stabilizes as projected, appropriate capital investment will allow more time proactive LAFCo planning efforts.

The balancing of capital investment compared to labor costs is and will continue to be a key consideration for the adoption of operating budgets. Capital investment in the form of software and technology provides more budget flexibility as much of the time these are one-time purchases and/or services that have an annual term. Labor costs are less flexible in that employment expectations are longer term and have fringe benefit costs that are outside the control of LAFCo.

R8 During the annual budget process, consider an increase in funding for outside consultants with appropriate expertise to support the SOI and MSR review process (F7).

Response R8: This recommendation has not yet been implemented, but will be implemented in the future, during the drafting of the FY 2027/2028 budget.

R9 Develop a plan for mentorship, succession and cross-training of key Commission staff.

Response R9: The recommendation has not yet been implemented, but will be implemented in the future during FY 2027/2028. Complementing the actions stated in the response to Finding 8, is that SJLAFCo is a member of the California Association of Local Agency Formation Commissions (CALAFCo). The current CALAFCo schedule for training conferences in September/October and March/April. The intention is to provide mentorship, succession, and cross-training for leadership both internally within SJLAFCo as well as the depth of knowledge available through CALAFCo.

R10 Develop a plan to regularly review and update all Commission policy and procedure documents (F1, F2, F3, F4, and F8).

Response R10: The recommendation has not yet been implemented, but will be implemented in the future, starting in the third (3rd) quarter of FY 2026/2027 during the mid-year budget review. The review of progress made on LAFCo projects during this time along with the lessons learned over the fiscal year are expected to ensure development and amendment of policies to enable more efficient service delivery.

The Grand Jury is commended for their thoughtful and insightful findings and recommendations. Their findings and recommendations have and will be used for motivation and guide towards delivering needed regional planning services.

This response was reviewed and received comment on by the San Joaquin Local Agency Formation Commission at the regularly scheduled Public Meeting on August 13, 2026. A copy of that meeting's agenda and approved minutes are included as an attachment to this response.

If we can provide any further clarifications to responses given, please contact J.D. Hightower, Executive Officer, at (209)468-3198 or email him at jhightower@sjgov.org.

Cordially,



Steven Ding, Chairperson
San Joaquin Local Agency Formation Commission