



Balancing Community and Commerce

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

## AGENDA

Thursday, July 13, 2023 9:00 A. M.  
BOARD OF SUPERVISORS CHAMBERS  
44 NORTH SAN JOAQUIN STREET, 6<sup>TH</sup> FLOOR  
STOCKTON, CALIFORNIA

*Pursuant to California Government Code Section 54953(b), Commission Members and members of the public may participate in this LAFCo meeting at the following location:*

6504 Copco Road  
Hornbrook, CA 96044

\* \* \* \*

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

### CONSENT ITEMS

1. MEETING MINUTES OF JUNE 8, 2023  
*(Discussion and Possible Action by All Members)*  
Approve Summary Minutes of the regular meeting.
2. OUT-OF-AGENCY SERVICE REQUEST  
*(Discussion and Possible Action by Regular Members)*  
Request from the City of Stockton to provide out-agency sewer service outside the City boundary under Government Code §56133 to 829 S. Dawes Avenue, 813 S. Olive Avenue, and 3127 Fremont Street in Stockton.
3. PROPOSED POLICIES AND PROCEDURES
  - A. Processing an Incorporation Proposal
  - B. Disclosure of Ex Parte Communication
  - C. Pledge of Office

**DISCUSSION ITEMS**

4. DRAFT COMPREHENSIVE FISCAL ANALYSIS FOR THE PROPOSED INCORPORATION OF MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT (Study Discussion and Possible Action by Regular Members)  
Workshop to receive testimony and comments on the Draft Comprehensive Fiscal Analysis for the Mountain House Community Services District

**PUBLIC COMMENTS**

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

**CORRESPONDENCE**

6. Written communication received from Irving Jimenez, Grand Jury Staff Secretary / Judicial Secretary, 2022-2023  
San Joaquin County Civil Grand Jury, dated June 21, 2023.

**EXECUTIVE OFFICER COMMENTS**

7. Comments from the Executive Officer

**COMMISSIONER COMMENTS**

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

**ADJOURN**

## 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 **\$250 or more in 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: 1) 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.

Pursuant to GC Section 84308, if you wish to participate in the above proceedings, you or your agent are prohibited from making a campaign contribution of \$250 or more to any Commissioner. This prohibition begins on the date you begin to actively support or oppose an application before LAFCO and continues until 3 months after a final decision is rendered by LAFCO. If you or your agent have made a contribution of \$250 or more to any Commissioner during the 12 months preceding the decision, in the proceeding that Commissioner must disqualify himself or herself from the decision. However, disqualification is not required if the Commissioner returns that campaign contribution within 30 days of learning both about the contribution and the fact that you are a participant in the proceedings



Balancing Community and Commerce

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**SUMMARY MINUTES  
June 8, 2023**

BOARD OF SUPERVISORS CHAMBERS  
44 NORTH SAN JOAQUIN STREET, 6<sup>TH</sup> FLOOR  
STOCKTON, CALIFORNIA

Chairperson Patti called the meeting to order at 9:01 a.m.

MEMBERS PRESENT: Chairperson Patti, Commissioners Breitenbucher, Diallo, Johnson, Villapudua

MEMBERS ABSENT:

ALTERNATE MEMBERS PRESENT: Commissioner Barton

ALTERNATE MEMBERS ABSENT: Commissioner Ding

OTHERS PRESENT: J.D. Hightower, Executive Officer, Tom Terpstra, Legal Counsel; Mitzi Stites, Commission Clerk / Analyst; and Claudia Iboa, Administrative Assistant

Chairperson Patti stated that Commissioner Diallo will now serve as the Regular City Member and welcomed Commissioner Barton as the Alternative City Member.

J.D. Hightower, Executive Officer, gave the Oath of Office to Commissioner Diallo and Commissioner Barton.

**CONSENT ITEMS**

Chairperson Patti introduced the Consent Items, Agenda Item No. 1, Summary of Minutes, Agenda Item No. 2 Out-Of-Agencies and Agenda Item No. 3, Proposed Policies and Procedures.

Chairperson Patti stated that he was going to pull consent items No. 3D and asked that it be rescheduled to a future Commission Meeting.

Commissioner Johnson declared that he would like to pull item 3B for the reason of extension and vote separately.

Chairperson Patti Introduced Agenda Item No. 1, Summary of Minutes for April 13, 2023, Agenda Item No. 2, Out of Agency to 1842 Clover Lane, 2357 E. Alpine Avenue, 5507 E. Main Street and 731 S. Cardinal Avenue in Stockton, and Agenda Item No. 3A, Financial and Accounting Procedures, Agenda Item No 3C, Application Procedure and Map Requirements.

Chairperson Patti opened the floor to Commissioner Comments.

No Comments were made.

Chairperson Patti closed the floor to Commissioner Comments and opened the floor to Public Comments

No Comments were made.

Chairperson Patti closed the Floor to Public Comments.

A motion was made by Commissioner Breitenbucher and seconded by Commissioner Villapudua to approve Agenda Item No. 1, Summary of Minutes for April 13, 2023, Agenda Item No. 2, Out of Agency to 1842 Clover Lane, 2357 E. Alpine Avenue, 5507 E. Main Street and 731 S. Cardinal Avenue in Stockton, and Agenda Item No. 3A, Financial and Accounting Procedures, Agenda Item No 3C, Application Procedure and Map Requirements. was passed by a unanimous vote of the Commission.

Chairperson Patti Introduced Agenda Item No. 3B, Public Member and Alternate.

Commissioner Johnson recused himself for this Agenda Item and left the dais.

Mr. J.D Hightower, Executive Officer, stated this policy is to remove the term limit for the Public member and Alternate.

Chairperson Patti stated that it is important to keep continuity of the Commission. Commissioner Johnson is in his 8<sup>th</sup> year on this commission and it has been a benefit to LAFCo because he has a legacy of information and participation in the county. It has been a pleasure having him on board and his willing to continue to participate. Chair Patti fully supports changing the policy to lift the term limits.

Chairperson Patti opened the floor to Commission Comments.

No Comments were made.

Chairperson Patti closed the floor to Commissioner Comments and opened the floor to Public Comments.

No Comments were made.

A motion was made by Commissioner Breitenbucher and seconded by Commissioner Diallo to approve the Public Member and Alternate Policy change to reflect no term limits. This motion was passed by a unanimous vote of the Commission, with Commissioner Johnson recusing himself from the vote.

Commission Johnson returned to the Dias.

Executive Officer, J.D. Hightower, stated that if the Commission would agree, Agenda Item No. 3D, Fire Protection District Reorganization Procedures, will be brought back to the Commission at the August 10, 2023, Commission Meeting.

Chairperson Patti agreed to that date.

#### **PUBLIC HEARING ITEMS**

**4. TRACT NO. 4040 MOUNTAIN HOUSE NEIGHBORHOOD 'A', UNIT 7 OF COLLEGE PARK REORGANIZATION TO MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT (LAFc 15-23)**

**(Action by Regular Members)**

Mr. JD. Hightower, Executive Officer, called via phone Rochelle Henson, Senior Planner for Mountain House Community Service District, so that she could participate during this agenda item.

J.D. Hightower, Executive Officer, presented a PowerPoint presentation, which provided annexation of two (2) parcels (APN 209-07-23 & 24) totaling 34.71 acres to Mountain House Community Services District and Detachment from Tracy Rural Fire District; and, San Joaquin Resource Conservation District. It is located south of Grant Line Ave. and North of the Delta College Mountain House campus.

Chairperson Patti opened the floor to Commission Comments.

None comments were made.

Chairperson Patti closed the floor to Commissioner Comments and opened the floor to Public Comments.

Mr. Bob Bentz, San Joaquin County resident, commented on this project.

Chairperson Patti closed the floor to Public Comments

A motion was made by Commissioner Villapudua and seconded by Commissioner Diallo to approve for the Resolution 23-1522 approving Tract 4040 Mountain House Neighborhood 'A', Unit 7 of College Park Reorganization to Mountain House Community Services District.

Chairperson Patti asked for a Roll Call Vote:

Ayes: Commissioner Barton, Breitenbucher, Diallo, Johnson, Villapudua and Chairperson Patti

Noes: None

**5. FINAL BUDGET REPORT FOR THE FISCAL YEAR 2023-2024  
(Action by All Members)**

J.D. Hightower, Executive Officer, presented the Final FY 2023-2024 Budget to the Commission. The FY 2023-2024 Preliminary Budget was approved at the April Commission Meeting with the exception of staff salaries. Mr. Hightower said that he excluded any increase of staff salary wages for the Final FY 2023-2024 budget. Staff will do a comprehensive compensation survey and bring it to the Commission for further discussion during the mid-year budget review for potential inclusion in FY 2024-2025 Budget. Mr. Hightower stated that the Cortese-Knox-Hertzberg requires the final budget by June 15 and is transmitted to the Board of Supervisors, cities, and special districts. Upon the approval of the budget, the auditor will assign the cost to the county and cities. The cost will be split 50/50, with individual cities share based on population. He explained the salary and savings compared to previous fiscal year and staff.

Chairperson Patti opened the floor to Commissioner Comments.

Commissioner Barton asked if LAFCO plans to add any staff in the upcoming fiscal year.

Mr. J.D. Hightower, Executive Officer, stated no staff is proposed for this coming fiscal year. San Joaquin County experienced positive growth during 2022 and is expected to continue in 2023. San Joaquin County is currently one of the fastest growing counties in California.

Commissioner Barton stated LAFCo has made streamlining a priority and the results are reflected in the numbers and appreciates that LAFCo staff prioritizes efficiency.

Commissioner Johnson inquired if staff was proposing a 4.9 percent cost of living increase.

Mr. J.D. Hightower, Executive Officer, stated that for this FY, staff would freeze all increases for salary until a comprehensive compensation survey can be completed. LAFCo needs to capture what the market rate is. All LAFCo's should approve their budgets by 6/15. In September/October, staff will survey what the total staff compensation is for LAFCo's. The intent is to bring the results back to the Commission during mid-year budget review, and show where SJLAFCo is at that time. Having any potential adjustments at mid-year will allow the Cities and County to budget accordingly for the 2024-2025 Budget.

Commissioner Johnson stated that he appreciate that the salaries will be frozen this year. The Commission just heard of the compensation that was given to the last Executive Officer a few months ago. The Commission does not understand what is happening behind the scenes. There was promise of a compensation packages and the Commission should have been made aware.

Chairperson Patti stated the \$182,000 has nothing to do with J.D. Hightower, Executive Officer. It was concerning the past Executive Officer.

Chairperson Patti opened the floor to Public Comments.

Mr. Bob Bentz stated his concerns about the \$182,000 and what was it for.

J.D. Hightower, Executive Officer explained to Mr. Bob Bentz they can meet after to explain the situation.

Chairperson Patti stated we need a motion for approval for the Preliminary Resolution 23-1523 the Fiscal Budget 2023-2024

A motion was made by Commissioner Johnson and seconded by Commissioner Breitenbucher to approve Resolution 23-1523 approving Final Budget and Schedule of Fees.

Chairperson Patti asked for a Roll Call Vote:

Ayes: Commissioners Barton Breitenbucher, Diallo, Johnson, Villapudua and Chairperson Patti

Noes: None

## **ACTION ITEMS**

### **6. ELECTION OF VICE-CHAIR (Action by All Members)**

Mr. JD. Hightower, Executive Officer, explained the importance of Vice-Chair, if the Chairperson cannot make the meetings, the Vice Chair takes over. Therefore, it is important that the Vice-Chair attend all meetings.

Chairperson Patti nominated Commissioner Johnson

A motion was made by Commissioner Barton and seconded by Commissioner Diallo to elect Commission Johnson as Vice-Chair.

Chairperson Patti asked for a Roll Call Vote:

Ayes: Commissioners Barton Breitenbucher, Diallo, Johnson, Villapudua and Chairperson Patti  
Noes: None

### **7. APPOINTMENT OF ALTERNATE PUBLIC MEMBER (Action by All Members)**

Mr. JD. Hightower, Executive Officer, explained there are three candidates to interview. They will be taken to a side room and wait until it is their turn to interview. The Commission will have ten (10) minutes to interview each candidate. Once the interviews are completed, the Chair will open the floor to nominations. Once nominations are made, there will be a roll call vote done in the same order as nominations were given. The first candidate to receive a majority vote will be the new Alternate Public Member.

The candidates for Alternate Public member are Alexander Levi, Rex Dhatt and Gary Cooper.

The candidates left chambers and the Commissioners proceeded with the interviews.

At the conclusion of the interviews, Chairperson Patti opened the floor to Commission Comments.

The Commissioners stated that all three candidates would be an asset to the Commission.

Chairperson Patti opened the floor to nominations

A motion was made by Commissioner Diallo and seconded by Commissioner Breitenbucher to appoint Raveep "Rex" Dhatt to Alternate Public Member.

Chairperson Patti asked for a Roll Call Vote:

Ayes: Commissioners Barton Breitenbucher, Diallo, Johnson, Villapudua and Chairperson Patti

Noes: None

The candidates were brought back to Chambers.

Chairperson Patti thanked all three candidates. Every commissioner felt that each of the applicants have excellent capacity and experience that would assist them in serving on LAFCo. The Commission thanked each candidate for applying to LAFCo. Chairperson Patti announced that the Commission voted and Mr. Rex Dhatt, has been selected for the next alternate public-at-large commissioner.

Mr. JD. Hightower, Executive Officer, stated that he looks forward working with Mr. Rex Dhatt. Chairperson Patti open the floor to Public comments

No Comments

Chairperson Patti closed the comments

### **PUBLIC COMMENTS**

No one came forward.

### **CORRESPONDENCE**

#### **9. WRITTEN COMMUNICATION RECEIVED FROM LOUIS MEYER FOREPERSON, 2022-2023 SAN JOAQUIN COUNTY CIVIL GRAND JURY, DATED APRIL 3, 2023 (Action by Regular Members)**

Mr. JD. Hightower, Executive Officer, explained we received a letter from the grand jury regarding a response from the Grand Jury report regarding transparency and listing all 102 Special Districts, with their contact information. Staff is working diligent towards the Grand Juries recommendations. Mitzi Sites, Clerk / Analyst, has done a good job with developing a website. For first time, San Joaquin LAFCo has their own website which they can control the content, with ease. The website is user



friendly and easy to maneuver through the website. LAFCo's new website is sjlafco.org. This should address the concerns of the Grand Jury.

Chairperson Patti thanked Mr. Hightower, Executive Officer, for the update.

**10. WRITTEN COMMUNICATION RECEIVED FROM WENDY ROOT ASKEW, COMMITTEE CHAIR, CALAFCO BOARD ELECTION COMMITTEE, CALAFACO BOARD OF DIRECTORS, DATED MAY 5, 2023**

Mr. JD. Hightower, Executive Officer, explained annually conference in October. The annually conference they have diligent all LAFCo to be voters. Needed by the LAFCo board.

Chairperson Patti suggested Commissioner Johnson as the San Joaquin Delegate.

A motion was made by Commissioner Patti and seconded by Commissioner Diallo to elect Commissioner Johnson as the San Joaquin Delegate.

Chairperson Patti asked for a Roll Call Vote:

Ayes: Commissioners Barton Breitenbucher, Diallo, Johnson, Villapudua and Chairperson Patti

Noes: None

**EXECUTIVE OFFICER COMMENTS**

11. Comments from the Executive Officer

Mr. JD. Hightower, Executive Officer, stated that the Commission will review the Compressive Financial Analysis for the Mountain House Incorporation.

**COMMISSIONER COMMENTS**

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

Chairperson Patti adjourned the meeting at 10:40 a.m. The next LAFCo Meeting will be held on July 13, 2023 at 9 a.m..



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## EXECUTIVE OFFICER'S REPORT

July 13, 2023

TO: LAFCo Commissioners  
FROM: Jeffery Hightower, Executive Officer  
SUBJECT: **CITY OF STOCKTON OUT-OF-AGENCY SERVICE REQUESTS**

### Recommendation

It is recommended that the Commission approve the requests from the City of Stockton to provide Out-of-Agency sewer service under the Government Code §56133 to properties located at 829 S. Dawes Ave, and 813 S. Olive Ave in Stockton. There is one commercial Out-of-Agency request from the City of Stockton to provide Out-of-Agency sewer service to property located at 3127 E. Fremont St in Stockton.

### Background

Government Code Section §56133 states that the Commission may authorize a city or special district to provide new or extended services outside its jurisdictional boundaries but within its sphere of influence in anticipation of a later change of organization and that prior to providing new or extended service, the city or district must first receive approval from LAFCo. The Commission adopted a policy that conditions their approval for out-of-agency service requiring the recordation of an agreement with the landowner consenting to annexation of their property when annexation becomes feasible.

The City of Stockton submitted request for approval to extend sanitary sewer services to single-family residences and commercial property outside the city limits but within the city's sphere of influence. A vicinity map is attached showing the location of the out-of-agency requests connections city to sewer lines are available to the properties and the property owner's have paid the appropriate connection fees to the city. The request for out-of-agency service are in compliance with the Government Code §56133 and Commission policies. Please note that the blue line shows the sewer line and the circle reflect the connection locations. Staff recommends approval of the attached Resolution 23-1524 approving out-of-agency services.

Attachment: Resolution No. 23-1524  
Vicinity Maps

**RESOLUTION NO. 23-1524**

**BEFORE THE SAN JOAQUIN LOCAL AGENCY FORMATION COMMISSION APPROVING AN OUT-OF-AGENCY SANITARY SEWER SERVICE FROM THE CITY OF STOCKTON TO 829 S. DAWES AVE, 813 S. OLIVE AVE AND 3127 E. FREMONT ST IN STOCKTON**

WHEREAS, the above-reference requests have been filed with the Executive Officer of the San Joaquin Local Agency Formation Commission pursuant to §56133 of the California Government Code.

NOW THEREFORE, the San Joaquin Local Agency Formation Commission DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

Section 1. Said out-of-agency service request is hereby approved.

Section 2. The proposal is found to be Categorically Exempt from CEQA.

Section 3. The proposal is subject to the following conditions:

- a. Prior to connection to the city sewer, the City of Stockton shall record a covenant and agreement with the property owners to annex to the City of Stockton in a form acceptable to the Executive Officer.
- b. This approval and conditions apply to current and future property owners.

PASSED AND ADOPTED this 13<sup>th</sup> day of July 2023 by the following roll call vote:

AYES:

NOES:

ABSTAIN:

\_\_\_\_\_  
TOM PATTI, CHAIRPERSON  
SAN JOAQUIN LOCAL AGENCY  
FORMATION COMMISSION

ATTEST:

\_\_\_\_\_  
MITZI STITES, COMMISSION CLERK  
SAN JOAQUIN LOCAL AGENCY  
FORMATION COMMISSION



Property Information

Property ID 15908302-120897  
 Location 829 S DAWES AV  
 Owner SBN FOR HOME INVESTMENTS LLC



MAP FOR REFERENCE ONLY  
 NOT A LEGAL DOCUMENT

City of Stockton, CA makes no claims and no warranties, expressed or implied, concerning the validity or accuracy of the GIS data presented on this map.

Geometry updated 05/03/2023  
 Data updated 05/01/2023

Print map scale is approximate. Critical layout or measurement activities should not be done using this resource.



Property Information

Property ID 15725311-119762  
 Location 813 S OLIVE AV  
 Owner THWEATT, JERRY & LETA



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Geometry updated 05/03/2023  
 Data updated 05/01/2023

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Google App

1" = 488.02810913797936 ft

**Property Information**

Property ID 14322015-117197  
 Location 3127 E FREMONT ST  
 Owner ARANDA VICTOR



MAP FOR REFERENCE ONLY  
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Geometry updated 05/03/2023  
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## EXECUTIVE OFFICER'S REPORT

July 13, 2023

**TO:** LAFCo Commissioners  
**FROM:** Jeffery Hightower, Executive Officer  
**SUBJECT:** PROPOSED ADOPTION OF POLICY:  
A. Procedures for Processing an Incorporation Proposal  
B. Disclosure of Ex Parte Communication  
C. Pledge of Office

### Recommendation

It is recommended that the Commission consider adopting the following procedures for processing an Incorporation Proposal, Disclosure of Ex Parte Communication and the Pledge of Office.

### Background

#### Procedures for Processing an Incorporation Proposal

Currently LAFCo's procedure for processing an Incorporation Proposal is not a part of LAFCo Policy. Staff recommends creating a new section in the Policy and Procedure guidelines to facilitate the current incorporation proposal as well as future proposals. Adopting the policy is intended to provide clear and concise direction for a complex and at times an overwhelming process. This will facilitate streamlining the necessary process to bringing a potential project to the Commission. The policy includes detailed information that coincide with the Cortese-Knox-Hertzberg regulations.

#### Disclosure of Ex Parte Communication

To improve transparency staff recommends a LAFCo policy for disclosure of ex parte contacts. Ex parte contacts are substantive oral or individual written communications on matters, other than other than procedural matters, that occur outside of noticed public hearings. Pre-hearing disclosure of ex parte contacts protects the due process interests of the non-present parties to the matter.

Mere casual or non-substantive communications do not violate the due process rights of non-present parties to applicable public hearing matter. This limitation is important to Commissioners because they are often expected to be available so that concerns or complaints may be expressed. Thus, the mere expression of support or opposition to a particular decision does not raise due process concerns when it is not accompanied by substantial factual information that influences a Commissioner's analyses or conclusions.

If an ex parte contact does occur, the Commissioner must disclose the contact and the substance of the information communicated on the record at the start of the public hearing. This disclosure allows people who may have a different point of view or contrary evidence to make their points during the hearing in response to the information you may have obtained through the ex parte contact.

California case law is clear that pre-hearing disclosure of ex parte contacts adequately protects the due process interests of the non-present parties to the matter. The disclosure should be complete, detailed and as early in the process as is reasonable.

For LAFCo a reasonable time for disclosure at a meeting takes place after staff presentation of the matter, during Commissioner comments prior to the opening of the public hearing. This will ensure that the information received in the staff report and presentation is the same as the contact information. If the contact information is not within the staff report and presentation, then disclosure must be made. The disclosure needs to include information received that is different than information received in the written or oral staff report. Attached is a publication by the California League of Cities entitled, "Lets Ex-Parte!", that provides additional information on ex-parte contacts.

#### Pledge of Office

LAFCo currently has Commissioners take an Oath of Office and recently staff has located a pledge that more fully encompasses the duties of a LAFCo Commissioner.

|              |   |
|--------------|---|
| Attachments: | Proposed Policies:  |
|              | Exhibit A. Procedures for Processing an Incorporation Proposal. |
|              | Exhibit B. Disclosure of Ex Parte Communication                 |
|              | Exhibit B1. California League of Cities, "Lets Ex-Parte!"       |
|              | Exhibit C. Pledge of Office                                     |



## SAN JOAQUIN LAFCO

## Procedures for Processing an Incorporation Proposal

These procedures are intended to supplement the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the State Office of Planning and Research Guide to the LAFCo Process for Incorporations, and the San Joaquin LAFCo Commissioner Handbook.

**I. APPLICATION MATERIAL**

- A. Resolution of application, landowner petition or registered voter petition (56764)
- B. Completed LAFCo Questionnaire
- C. Boundary Map
- D. Plan for Services (§56653)
- E. Comprehensive Fiscal Analysis (§56800)
- F. Filing Fees

**II. CONTENTS OF THE COMPREHENSIVE FISCAL ANALYSIS (CFA)**

At a minimum, the CFA must contain the following information:

- A. The costs to the proposed city of providing public service and facilities for a minimum of eight years following incorporation.
- B. The revenues of the proposed city during for a minimum of eight years following incorporation.
- C. The effects on the costs and revenues of any affected local agency for a minimum of eight years following incorporation.
- D. An analysis, consistent with Government Code §56815, relating to revenue neutrality.
- E. Any other information and analysis needed to make the findings per the Cortese-Knox-Hertzberg Local Government Reorganization Act (CKH Act).

**III. PRE-APPLICATION**

Prior to initiating an incorporation proposal, the applicant should prepare a preliminary fiscal study to determine the feasibility of incorporation. It is important to conduct a preliminary feasibility study at an early stage to avoid the time and expense associated with pursuing an incorporation proposal that is financially infeasible. The preliminary feasibility study should be completed no later than filing a Notice of Intent to Circulate a Petition or adopting a resolution of application to LAFCo.

**IV. REVIEW OF APPLICATION MATERIAL**

Incorporation is a complex and lengthy process. In accordance with State law, it is important that once the application for incorporation is initiated that it be processed in a timely manner to ensure that the data used in the fiscal analysis does not become stale.

Proponents for an incorporation project shall complete the application requirements within a period of 24 months following the opening of the incorporation file. LAFCo staff will notify the proponents at least 90 days before the 24-month deadline. If the application remains incomplete after 24 months, the file will be closed, unless the proponents request a time extension. A time extension is subject to approval by the Commission.

- A. Resolution or petition – area proposed for incorporation must have a minimum of 500 voters (56043).

If the proposal is filed by resolution, LAFCo staff will review the resolution to ensure compliance with the relevant sections of the Government Code.

If the proposal is filed by landowner petition, LAFCo staff will submit the petition to the County Assessor's office for verification. This process can take from a few weeks to months depending on workload and other factors.

If the proposal is filed by registered voter petition, LAFCo staff will submit the petition to the County Registrar of Voters office for verification. This process can take from a few weeks to months depending on workload and other factors.

If it is found that the petition has insufficient valid signatures, the incorporation applicant has 15 days to acquire the sufficient number of valid signatures (56706).

B. LAFCo Questionnaire/Application

LAFCo staff will review the questionnaire for accuracy and completeness. LAFCo staff will coordinate review of proposal with all affected local agencies and interested parties to determine potential impacts. The results of this review will be included with the LAFCo staff report to the Commission.

C. Boundary Map

LAFCo staff, affected agencies and interested parties will review the boundary map to determine consistency with existing local agencies and to ensure that the boundaries are logical and reasonable.

A more detailed map and legal description meeting the requirements of the San Joaquin County Surveyor will need to be completed prior to the incorporation proposal being set for hearing before the Commission.

The incorporation applicant should discuss potential boundary alternatives with LAFCo staff early in the process. The preliminary analysis and CFA should identify and assess boundary options.

The Commission may modify proposed boundaries and order the inclusion or deletion of territory to ensure orderly boundaries.

In addition to approving the boundary of a new City, LAFCo must also approve a sphere of influence (SOI) within one year of incorporation (56426.5). The SOI must be consistent with other affected local agencies (56375.5).

Incorporation proposals, which would result in certain conditions, are prohibited by law, including incorporations, which would result in unincorporated islands (56744) and annexation of land within a Farmland Security Zone (56749).

D. Plan for Services

A proposal for incorporation must include a Plan for Services that addresses the items identified in Government Code §56653.

E. Comprehensive Fiscal Analysis (CFA)

Section 56800 of the Government Code requires the LAFCo Executive Officer to prepare, or cause to be prepared, the CFA. The CFA is used to project the fiscal condition of the proposed new city and must contain specific information per the Government Code. The CFA shall project income and expense for a minimum of eight years following incorporation.

Typically, LAFCo staff will contract with an independent consultant to prepare the CFA, and the cost will be paid by the applicant. LAFCo staff manages the consultant's work as long as there are funds on deposit.

The selection process will generally involve the following:

- A Request for Proposals will be prepared by LAFCo staff and circulated to prospective bidders. A bidding process will help control costs, ensure objectivity and quality.
- A review panel representing diverse interests including the incorporation proponents will evaluate and/or score the responses.
- The LAFCo Executive Officer will prepare a recommendation for Commission approval and authorization of the contract. The Commission will give final approval of the selected consultant and authorize the contract to prepare the CFA.

Upon receipt of the CFA, LAFCo staff will publish a legal notice setting a 30-day review period for the CFA. LAFCo staff will also notify all affected agencies, the chief proponents, and all persons who have filed a written request for notification.

During a specified review period, any interested person may request the State Controller's Office to review the CFA prior to issuance of the LAFCo Executive Officer's report and recommendation (56801). Such a request must be accompanied by a deposit to be determined by the LAFCo Executive Officer, to cover the cost of the Controller's review.

The request for the Controller's review should specify the portion or portions of the CFA to be reviewed and a brief explanation of why the review is being requested. This information will assist the Controller in completing a timely review, and help reduce the cost of the review to the requesting party.

A Certificate of Filing deeming the application complete shall not be issued until the CFA is complete.

F. Filing Fees

The actual costs for processing the incorporation application are the proponent's responsibility.

Application costs include LAFCo processing fees, costs associated with the CFA and environmental review documents, and other related expenses. Some of these fees are fixed, and others are based on actual costs. Please refer to the current LAFCo Schedule of Processing Fees.

Consultants may be hired to assist with the preparation of the CFA and CEQA documents. Consultants may be asked to divide the project tasks into sub tasks. LAFCo staff will provide costs estimates, whenever possible; actual costs will be determined after consultant contracts are negotiated.

Payment, other than payment in full (e.g., installment payments) are subject to approval by the Commission. The terms of any payment schedule will be stated in an agreement to be executed between LAFCo and the proponents. LAFCo staff will not authorize the consultant to commence or continue work until the required funds are received.

If installment payments are delinquent, work on the project will be suspended until the payments are brought up to date.

G. Loan for Incorporation

Section 56383(g) provides that incorporation proponents may seek a loan from the State Controller's Office to cover the incorporation processing expenses.

H. California Environmental Quality Act (CEQA)

Incorporations are projects subject to CEQA and require environmental review. LAFCo, as Lead Agency for an incorporation, must prepare the required documentation. Depending upon the circumstances of each incorporation proposal, LAFCo will make one of three environmental determinations with respect to the potential environmental effects of the incorporation. The project, in rare cases, may qualify for an exemption from CEQA. If an exemption is not appropriate, LAFCo will prepare, or cause to be prepared, an Initial Study to determine whether a Negative Declaration or an Environmental Impact Report must be prepared.

The applicant shall be responsible for all reasonable costs associated with preparing the environmental document in accordance with the LAFCo Fee Schedule.

I. Commission Proceedings

LAFCo staff prepares an analysis of the proposal and issues the Executive Officer's report and recommendations (56665).

The Commission holds a public hearing to review the LAFCo staff analysis and receive oral and written testimony (56666).

The Commission then adopts a resolution approving, modifying, or disapproving the proposal (56880).

If the incorporation is approved, the Commission determines the final boundaries, the base property tax, the provisional appropriations limit for the proposed city, and any terms and conditions of approval.

At the time of approval, the Commission may also determine the sphere of influence (SOI) of the proposed city. The Commission shall, in any event, determine the SOI for any newly incorporated city within one year of the incorporation (56426.5).

If LAFCo wholly disapproves the proposal, no new proposal involving the same or substantially the same territory shall be initiated for one year, unless this provision is waived by the Commission (56884)

J. Request for Reconsideration

Within 30 days of the adoption of the LAFCo resolution either approving or disapproving the proposal, any interested party can request the Commission to reconsider its action (56895). Such a request requires the payment of a fee per the current LAFCO Fee Schedule.

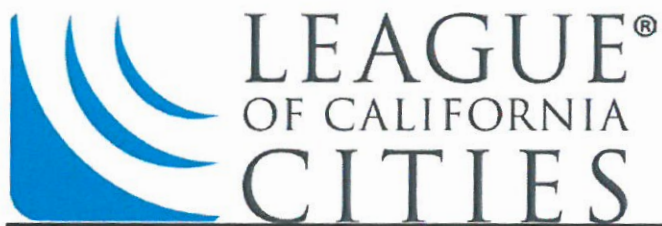
Upon receipt of a timely request, LAFCo will hold a legally noticed public hearing on the reconsideration request.

K. Election

An election is held, usually at the next general election. If the majority of votes are cast supporting the incorporation, the Commission shall adopt a resolution ordering the incorporation. An incorporation election also provides for the election of the city council members and other officers, and on the question of whether the city council in future elections shall be elected by district or at large (57116).

**DISCLOSURE OF EX PARTE COMMUNICATION**

- a. Commissioners shall use their best efforts to track ex parte contacts pertaining to applications that are subject to a public hearing pursuant to the Cortese-Knox Hertzberg Local Government Reorganization Act of 2000 (Act).
- b. Ex parte contacts include oral or written communications concerning applications that are subject to a public hearing pursuant to the Act which occur outside of a noticed public hearing. Contacts shall include phone calls, meetings, site visits, and written communications, including emails.
- c. If an ex parte communication regarding the public hearing matter occurs, the Commissioner shall verbally disclose (1) the identity of the individual(s) with whom the Commissioner had contact; and (2) the substance of the information communicated. The commissioners shall verbally disclose written communication, unless such correspondence is forwarded to LAFCO staff in advance of the public hearing for inclusion in the agenda packet.
- d. Following the closure of the public hearing and prior to a final decision, commissioners shall disclose any electronic or personal communication that has taken place pertaining to the item.
- e. The LAFCO meeting agenda shall note public hearing items that require disclosure of ex parte communication.



## **Let's *Ex Parte!* The Limits and Disclosure Requirements of *Ex Parte* Contacts in the Public Hearing Context**

Thursday, October 6, 2016 General Session; 2:45 – 4:00 p.m.

Ariel Pierre Calonne, City Attorney, Santa Barbara

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# **Let's Ex Parte! The Limits and Disclosure Requirements of Ex Parte Communications in the Public Hearing Context**

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City Attorney  
City of Santa Barbara

League of California Cities  
Annual Conference  
October 2016 Long Beach

This paper examines California law governing whether, when, and how city decisionmakers must refrain from or disclose *ex parte* communications.

## **INTRODUCTION**

*Ex parte* is a Latin phrase that literally means “from one party.”<sup>1</sup> Generally speaking, an *ex parte* communication is any material or substantive oral or written communication with a decisionmaker that is relevant to the merits of an adjudicatory proceeding, and which takes place outside of a noticed proceeding open to all parties to the matter.<sup>2</sup>

*Ex parte* communications to a judicial officer or quasi-judicial decisionmaker raise a number of serious legal concerns. As a result, *ex parte* communications are restricted, and even prohibited, in some circumstances.

The doctrinal foundation for restricting *ex parte* communications rests upon fundamental fairness concerns flowing from the Magna Carta,<sup>3</sup> English common law<sup>4</sup>, American common law requiring “fair procedures,”<sup>5</sup> and the Fifth and Fourteenth Amendments which provide that no person shall be “deprived of life,

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<sup>1</sup> In the legal context, *ex parte* means “on one side only; by or for one party; done for, in behalf of, or on the application of one party only.” (Black’s Law Dict. (6<sup>th</sup> ed. 1990) p. 76, col. 1.)

<sup>2</sup> See, e.g., Gov. Code, § 11430.10 [California Administrative Procedures Act]; 12 C.F.R. § 263.9 [Federal Reserve Uniform Rules of Practice and Procedure].

<sup>3</sup> *Duncan v. State of La.* (1968) 391 U.S. 145, 169 (Conc. Opn. Of Black, J.) [“The origin of the Due Process Clause is Chapter 39 of Magna Carta which declares that “No free man shall be taken, outlawed, banished, or in any way destroyed, nor will We proceed against or prosecute him, except by the lawful judgment of his peers and by the law of the land.””

<sup>4</sup> “. . . in determining what due process of law is, under the Fifth or Fourteenth Amendment, the court must look to those settled usages and modes of proceeding existing in the common and statute law of England before the emigration of our ancestors, which were shown not to have been unsuited to their civil and political condition by having been acted on by them after the settlement of this country.” *Tumey v. State of Ohio* (1927) 273 U.S. 510, 523.

<sup>5</sup> *Pinsker v. Pacific Coast Society of Orthodontists* (1974) 12 Cal.3d 541, 555

liberty, or property, without due process of law.”<sup>6</sup> And, “A fair trial in a fair tribunal is a basic requirement of due process.”<sup>7</sup> The law relating to *ex parte* communications has grown from concerns about fundamental fairness.

Two precepts underlie *ex parte* contact fairness and due process considerations: The need for judicial impartiality and the truth-seeking benefits of an adversarial system.

Judicial impartiality is a cornerstone of American justice. In *Tumey v. State of Ohio* (1927) 273 U.S. 510, the United States Supreme Court had no trouble finding a due process violation when an Ohio criminal statute authorized a mayor to hear certain cases in which he or she had a direct pecuniary interest due to a local ordinance that compensated the mayor with fees collected from convicted defendants. While there was no evidence of actual bias in *Tumey*, the Court concluded that any “. . . procedure which would offer a possible temptation to the average man as a judge to forget the burden of proof required to convict . . .” denies due process because the judge’s impartiality is put into question.<sup>8</sup> Certainly *ex parte* contacts present a “possible temptation” that might impugn a decisionmaker’s impartiality.<sup>9</sup>

Adversarial systems work to ensure discovery of the truth. The United States Supreme Court points out that: “[t]he system assumes that adversarial testing will

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<sup>6</sup> U.S. Const., 5<sup>th</sup> and 14<sup>th</sup> Amends.; see also Cal. Const., art. I, § 7 [state clause’s prescriptions as substantially overlapping those of the federal Constitution] *Today’s Fresh Start, Inc. v. Los Angeles County Office of Educ.* (2013) 57 Cal.4th 197, 212; Code Civ. Proc., § 1094.5 [*Vollstedt v. City of Stockton* (1990) 220 Cal.App.3d 265, 273.

<sup>7</sup> *In re Murchison* (1955) 349 U.S. 133, 136; *Withrow v. Larkin* (1975) 421 U.S. 35, 46; *Howitt v. Superior Court* (1992) 3 Cal.App.4th 1575, 1581. In this context, we are referring to procedural due process. (See *Mathews v. Eldridge* (1976) 424 U.S. 319.

<sup>8</sup> *Id.*, at p. 532.

<sup>9</sup> See *Department of Alcoholic Beverage Control v. Alcoholic Beverage Control Appeals Bd.* (2006) 40 Cal.4th 1, 5; “One fairness principle directs that in adjudicative matters, one adversary should not be permitted to bend the ear of the ultimate decision maker or the decision maker’s advisors in private.”

ultimately advance the public interest in truth and fairness.”<sup>10</sup> Because *ex parte* communications are not recorded, they cannot be rebutted by the non-present party or given adequate appellate review.<sup>11</sup> The Third Circuit Court of Appeals applied this principle to conclude that:

“ . . . *ex parte* communications run contrary to our adversarial trial system. The adversary process plays an indispensable role in our system of justice because a debate between adversaries is often essential to the truth-seeking function of trials.”<sup>12</sup>

In California, earlier cases echoed the adversarial truth-seeking interest behind controlling *ex parte* communications in administrative proceedings:

“Administrative tribunals exercising quasi judicial powers which are required to make a determination after a hearing cannot act on their own information. Nothing may be treated as evidence which has not been introduced as such, inasmuch as a hearing requires that the party be apprised of the evidence against him in order that he may refute, test and explain it.”<sup>13</sup>

The more modern California view does not compel a purely adversarial model for administrative decision making, and hence casts some doubt on the continuing value of the “truth-seeking” rationale for controlling *ex parte* communications:

“ . . . these decisions and numerous others stand for the proposition that the pure adversary model is not entitled to constitutionally enshrined exclusivity as the means for resolving disputes in ‘[t]he incredible variety of administrative mechanisms [utilized] in this Country....’ The mere fact that the decision-maker or its staff is a more active participant in the factfinding process—similar to the

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<sup>10</sup> *Polk County v. Dodson* (1981) 454 U.S. 312, 318.

<sup>11</sup> *In re Kensington Intern. Ltd.* (3d Cir. 2004) 368 F.3d 289, 310.

<sup>12</sup> *Ibid.*

<sup>13</sup> *La Prade v. Department of Water and Power of City of Los Angeles* (1945) 27 Cal.2d 47, 51–52.

judge in European civil law systems—will not render an administrative procedure unconstitutional.”<sup>14</sup>

Indeed, legislative bodies now have considerable constitutional leeway to craft alternative decisionmaking systems which may not be adversarial:

““[l]egislatures and agencies have significant comparative advantages over courts in identifying and measuring the many costs and benefits of alternative decisionmaking procedures. Thus, while it is imperative that courts retain the power to compel agencies to use decisionmaking procedures that provide a constitutionally adequate level of protection ..., judges should be cautious in exercising that power. In the vast bulk of circumstances, the procedures chosen by the legislature or by the agency are likely to be based on application of a *Mathews*-type cost-benefit test by an institution positioned better than a court to identify and quantify social costs and benefits.”<sup>15</sup>

So, while some courts focus their *ex parte* due process concerns on the need for confrontation and rebuttal by the adverse parties, judicial impartiality is a more persistent rationale, particularly in non-adversarial systems.

Finally, the California Supreme Court recently summarized the basic requirements of due process in California administrative decisionmaking, again focusing upon the need for impartiality:

“The essence of due process is the requirement that “a person in jeopardy of serious loss [be given] notice of the case against him and opportunity to meet it.” ‘The opportunity to be heard must be afforded ‘at a meaningful time and in a meaningful manner.’ To ensure that the opportunity is meaningful, the United States Supreme Court and this court have identified some aspects of due

<sup>14</sup> *Howitt v. Superior Court* (1992) 3 Cal.App.4th 1575, 1581 [citing *Withrow v. Larkin* (1975) 421 U.S. 35].

<sup>15</sup> *Today's Fresh Start, Inc. v. Los Angeles County Office of Educ.* (2013) 57 Cal.4th 197, 230; quoting *Mohilef v. Janovici* (1996) 51 Cal.App.4th 267, 288 and referring to the seminal procedural due process analysis in *Mathews v. Eldridge* (1976) 424 U.S. 319, 348.

process as irreducible minimums. For example, whenever 'due process requires a hearing, the adjudicator must be impartial.'

Beyond these broad outlines, however, the precise dictates of due process are flexible and vary according to context."<sup>16</sup>

In sum, the simple human need for fairness, reflected in western jurisprudence since at least 1215 when it was pronounced in the *Magna Carta*, underlies the legal concerns about *ex parte* communications during administrative decisionmaking processes. Fairness certainly requires an impartial decisionmaker, and often the appearance of impartiality can become as important a factor in the legal review of fairness as actual impartiality. Fairness may also require the opportunity for adversarial examination of evidence in some, if not most, administrative decisionmaking systems.

### **CALIFORNIA LAW ON EX PARTE COMMUNICATIONS**

In 1945, the California Supreme Court determined that due process does not allow using evidence gathered *ex parte* in an administrative hearing. In *La Prade v. Department of Water and Power of City of Los Angeles* (1945) 27 Cal.2d 47, the Court considered a civil service matter in which an employee was discharged upon the basis of an investigative report which was offered into evidence after the hearing. The divided 4-3 Court held:

"Administrative tribunals exercising quasi judicial powers which are required to make a determination after a hearing cannot act on their own information. Nothing may be treated as evidence which has not been introduced as such, inasmuch as a hearing requires that the party be apprised of the evidence against him in order that he may refute, test and explain it. And the action of such a tribunal based upon the report of an investigator, assuming it is competent evidence, when forming the basis for the tribunal's determination, is a denial of a hearing, unless it is introduced into evidence and the accused is given an opportunity to cross-examine the maker thereof and refute it."<sup>17 18</sup>

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<sup>16</sup> *Id.*, at p. 212.

<sup>17</sup> *Id.*, at pp. 51–52; *La Prade* relied heavily upon *Morgan v. U.S.* (1936) 298 U.S. 468, 480 which discussed a federal livestock ratemaking statute: "That duty is

By 1950, a unanimous California Supreme Court squarely addressed the problem of individual *ex parte* contacts by decisionmakers. In *English v. City of Long Beach* (1950) 35 Cal.2d 155, the Court considered a Long Beach police officer who had been terminated due to a disability. Members of the civil service board:

“ . . . took evidence outside the hearing and outside the presence of English or his attorney. Some of them talked to one of the examining doctors, and one member questioned his personal physician concerning the relation of English's asserted disability to the performance of the duties of his position. The information thus received was imparted to other board members, and was considered and relied upon by them in arriving at their decision.”<sup>19</sup>

The Court noted that: “[t]he principal question is whether English was deprived of a fair trial.”<sup>20</sup> And:

“The action of such an administrative board exercising adjudicatory functions when based upon information of which the parties were not apprised and which they had no opportunity to controvert amounts to a denial of a hearing.” . . .

A contrary conclusion would be tantamount to requiring a hearing in form but not in substance, for the right of a hearing before an administrative tribunal would be meaningless if the tribunal were permitted to base its termination upon information received without the knowledge of the parties. A hearing requires that the party be apprised of the evidence against him so that he may have an opportunity to refute, test, and explain it, and the requirement of a

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widely different from ordinary executive action. It is a duty which carries with it fundamental procedural requirements. There must be a full hearing. There must be evidence adequate to support pertinent and necessary findings of fact. Nothing can be treated as evidence which is not introduced as such.”

<sup>18</sup> Despite *Morgan* and its progeny, Congress did not restrict *ex parte* administrative communications in formal rulemaking and administrative adjudications until 1976. (*Due Process and Ex Parte Contacts in Informal Rulemaking* (1979) 89 Yale L.J. 194, 197.)

<sup>19</sup> *Id.*, at p. 157.

<sup>20</sup> *Id.*, at p. 158.

hearing necessarily contemplates a decision in light of the evidence there introduced.”<sup>21</sup>

Again, in a case involving a city manager's decision to demote a city employee based in part upon evidence received *ex parte*, the Court of Appeal emphasized that:

“The fact that Personnel Director Fong may have presented the City Manager with substantial evidence supporting his decision not to follow the recommendations of the Commission did not cure the error caused by the Commission's failure to transmit a statement of facts to the City Manager. Rather it led to further abuse of appellant's right to a fair hearing. A decision maker such as the City Manager, who is required by city ordinance to make a determination after a requested hearing cannot act upon his own information, and nothing can be considered as evidence that was not introduced at a hearing of which petitioner had notice or at which he was present.”<sup>22</sup>

On the other hand, it is also clear that some kinds of *ex parte* evidence do not raise due process concerns. In 1957, the Court of Appeal in *Flagstad v. City of San Mateo* (1957) 156 Cal.App.2d 138 held that *ex parte* evidence which is *disclosed* before a hearing does not violate due process:

“Plaintiff complains that defendants rely upon information acquired by the council members other than at the hearing. . . . Here the mayor stated at the outset of the hearing that the councilmen had ‘had a look’ at the property. Members of the council asked questions and expressed views at the public hearing which quite fully revealed their investigation. There was no concealment. Those protesting the variance were free to challenge any views so expressed, and took frequent advantage of this opportunity.”<sup>23</sup>

And, more recently, the Court of Appeal has held that *ex parte* information is evidentiary only if it is “considered by . . . [the decisionmaker] . . . for its bearing

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<sup>21</sup> *Id.*, at p. 158-59.

<sup>22</sup> *Vollstedt v. City of Stockton* (1990) 220 Cal.App.3d 265, 274–75. <sup>23</sup> *Id.*, at p. 141.



on the issues resolved by the findings in his proposed decision.”<sup>24</sup> So, non-substantive communications that do not bear on the ultimate decision are consistent with due process requirements.

Surprisingly, there is no California statutory law restricting *ex parte* communications with city decisionmakers. At the state level, the California Administrative Procedures Act expressly forbids *ex parte* communications.<sup>25</sup> Likewise, the California Coastal Act defines and requires disclosure of *ex parte* communications.<sup>26</sup> On the other hand, the Porter-Cologne Water Quality Control Act was amended in 2012 to exempt certain water board proceedings from the *ex parte* communication restrictions of the California Administrative Procedures Act.<sup>27</sup> Many other state agencies have specialized *ex parte* communication rules.<sup>28</sup> These state statutes provide some value in determining due process minima.

### **WHETHER, WHEN, AND HOW TO ADDRESS EX PARTE COMMUNICATIONS**

Due to the absence of statutory guidance, we must synthesize the case law to determine whether, when, and how to address *ex parte* communications. Mindful that fundamental fairness is our guide, and that *Mathews v. Eldridge* (1976) 424 U.S. 319 remains vital in providing a procedural due process framework,<sup>29</sup> several relatively clear principles emerge.

<sup>24</sup> *Mathew Zaheri Corp. v. New Motor Vehicle Bd.* (1997) 55 Cal.App.4th 1305, 1314.

<sup>25</sup> “While the proceeding is pending there shall be no communication, direct or indirect, regarding any issue in the proceeding, to the presiding officer from an employee or representative of an agency that is a party or from an interested person outside the agency, without notice and opportunity for all parties to participate in the communication.” (Gov. Code, § 11430.10(a); Gov. Code, § 11425.10.)

<sup>26</sup> Pub. Resources Code, §§ 30322 and 30324.

<sup>27</sup> Wat. Code, § 13287 (Stats. 2012, ch. 551.)

<sup>28</sup> See, e.g., Pub. Resources Code, § 663.2 [State Mining and Geology Board]; Bus. & Prof. Code, § 19872 [Gambling Control Commission].

<sup>29</sup> “. . . identification of the specific dictates of due process generally requires consideration of three distinct factors: First, the private interest that will be

### **1. Procedural Due Process Relates Only to Adjudicatory Proceedings.**

*Ex parte* communications are a concern only in adjudicatory or quasi-judicial decisionmaking matters, as opposed to purely legislative proceedings. While many factors go into determining whether a matter is quasi-judicial, the typical characteristics are three-fold: 1) Does the matter require advance notice and a hearing; 2) must the decision be predicated upon specific findings of fact; 3) does the decision apply existing law to specific facts to make an individualized determination of a specific person's rights or interests in life, liberty or property.<sup>30 31</sup> It is a good practice to identify quasi-judicial matters on meeting agendas so that the public, parties and decisionmakers are aware of due process concerns that might limit *ex parte* communications.

### **2. Ex Parte Communication is Evidence-Gathering That Takes Place Outside the Formal Proceedings.**

*Ex parte* communications include oral and written information, but can also include any other sensory communication, such as visual or auditory information obtained during a site visit.<sup>32</sup>

### **3. Ex Parte Communications Must Be Substantive and Relevant to the Matter in Order to Impact Due Process Rights.**

Mere casual or non-substantive communications do not violate the due process rights of non-present parties to a quasi-judicial matter.<sup>33</sup> This limitation is

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affected by the official action; second, the risk of an erroneous deprivation of such interest through the procedures used, and the probable value, if any, of additional or substitute procedural safeguards; and finally, the Government's interest, including the function involved and the fiscal and administrative burdens that the additional or substitute procedural requirement would entail." *Mathews v. Eldridge* (1976) 424 U.S. 319, 335.

<sup>30</sup> See *Topanga Assn. for a Scenic Community v. County of Los Angeles* (1974) 11 Cal.3d 506.

<sup>31</sup> See *Franchise Tax Bd. v. Superior Court in and for Sacramento County* (1950) 36 Cal.2d 538, 549 ["There is no constitutional requirement for any hearing in a quasi-legislative proceeding."]

<sup>32</sup> *Flagstad v. City of San Mateo* (1957) 156 Cal.App.2d 138.

<sup>33</sup> *Mathew Zaheri Corp. v. New Motor Vehicle Bd.* (1997) 55 Cal.App.4th 1305.

important to local elected officials because they are often expected to be available so that concerns or complaints may be expressed by their constituents. Thus, the mere expression of support or opposition to a particular decision does not raise due process concerns when it is not accompanied by substantial factual information that influences the decisionmaker's analyses or conclusions.

#### **4. Substantive *Ex Parte* Communications Which are Disclosed Prior to a Quasi-Judicial Hearing Do Not Raise Due Process Concerns.**

California case law is clear that pre-hearing disclosure of *ex parte* communications adequately protects the due process interests of the non-present parties to the matter.<sup>34</sup> The disclosure should be complete, detailed and as early in the process as is reasonable. Some agencies require written disclosure.<sup>35</sup>

#### **5. *Ex Parte* Communications After a Quasi-Judicial Hearing Must Be Prohibited If the Decision is Not Final.**

A corollary to the due process protection provided by pre-hearing disclosure of *ex parte* communications is that there must be no *ex parte* communications during the interstitial period between closure of a hearing and a final decision. This arises most often when a city decisionmaker closes a quasi-judicial hearing and directs the preparation of written findings by staff. "Lobbying" by parties to the matter or other persons must be rejected. Many cities have differing approaches to *ex parte* communications that arise as a result of public testimony rights under the Brown Act.<sup>36</sup> A simple admonition on the record advising the decisionmakers not to consider Brown Act-required public comment should be a sufficient balance between the due process and First Amendment interests at stake.

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<sup>34</sup> *Flagstad v. City of San Mateo* (1957) 156 Cal.App.2d 138.

<sup>35</sup> The California Coastal Commission, for example, requires use of "standard disclosure forms." (Pub. Resources Code, § 30324.)

<sup>36</sup> Gov. Code, 54954.3. See also, Gov. Code, § 54954.2(a)(2) ["No action or discussion shall be undertaken on any item not appearing on the posted agenda, except that members of a legislative body or its staff may briefly respond to statements made or questions posed by persons exercising their public testimony rights under Section 54954.3."]

## **EXAMPLES OF CITY COUNCIL EX PARTE CONTACT RULES**

### **Santa Barbara City Council Procedures (2015)**

4.14.4. Identification of Quasi-Judicial Matters on the Agenda. The City Administrator/City Clerk, in conjunction with the City Attorney, will identify agenda items involving quasi-judicial decisions on the Council agenda. This identification is intended to inform the Council, interested parties, and the public that this policy will apply to the item, but failure to identify an item shall not be cause for a continuance.

4.14.5. Policy to Avoid Ex Parte Contacts. Ex parte contacts are substantive oral or individual written communications concerning quasi-judicial matters that occur outside of noticed public hearings. City Councilmembers should avoid and discourage ex parte contacts if at all possible.

4.14.6. Disclosure of Ex Parte Contacts. If an ex parte contact does occur (which it might because the public has a hard time understanding that on quasi-judicial matters the Council's decision making is confined to the hearing), the Councilmember must disclose the contact and the substance of the information communicated on the record at the start of the public hearing. This disclosure allows people who may have a different point of view or contrary evidence to make their points during the hearing in response to the information you may have obtained through the ex parte contact. The disclosure might go something like this: "I was approached by the appellant last week and they told me that neighborhood traffic is much greater than the City's baseline assumptions."

4.14.7. Ex Parte Contacts After the Hearing. Ex parte contacts after a public hearing is closed and before a final decision is rendered are prohibited because there is no opportunity for rebuttal.

### **Berkeley Rules of Procedure and Order (2016)**

Following any staff presentation, each member of the City Council shall verbally disclose all ex parte contacts concerning the subject of the hearing. Members shall also submit a report of such contacts in writing prior to the commencement of the hearing. Such reports shall include a brief statement describing the name, date, place, and content of the contact. Written reports shall be available for public review in the office of the City Clerk prior to the meeting and placed in a file available for public viewing at the meeting.

### **Berkeley Land Use Resolution (2004)**

3. Council members and Commissioners may receive information relevant to the land use decision by contacts with the parties, the public or staff and are not confined to reading the record or hearing presentations at public hearings.

4. Where information of a specific nature is gathered by a member of the City Council or a board or commission, through contacts outside the record, and the information is not already in the record, the member shall, to the extent feasible, keep contemporaneous notes of the substance of the contact and shall disclose the contact and its substance on the record prior to the commencement of the hearing to which such contact relates. Where the information is received during the pendency of a hearing the matter shall be disclosed prior to completion of the hearing and the parties and public shall have an opportunity to respond if the matter is substantially new information.

5. Where such contacts were made and information gathered prior to a pending decision by the Council or any decision making body whether or not to grant a hearing, the substance of the information shall be reported to the secretary of the relevant body as soon as it is made. The secretary shall maintain a file on such disclosed contacts for review by members of the public.

### **Palo Alto City Council Procedures and Protocols Handbook (2013)**

#### **2) Restrictions on Council Communications Outside of Quasi-Judicial and Planned Community Zone Hearings**

It is the policy of the Council to discourage the gathering and submission of information by Council Members outside of any noticed public meeting, prior to final recommendations by the Architectural Review Board or Planning &

Transportation Commission. The following procedural guidelines are intended to implement this policy, but shall not be construed to create any remedy or right of action.

### 3) Identification of Quasi-Judicial/Planned Community Matters

The City Attorney, in conjunction with the City Clerk and City Manager, will identify agenda items involving quasi-judicial/planned community decisions on both the tentative and regular Council agendas. This identification is intended to inform the Council, interested parties, and the public that this policy will apply to the item.

### 4) Council to Track Contacts

Council Members will use their best efforts to track contacts pertaining to such identified quasi-judicial/planned community decision items. Contacts include conversations, meetings, site visits, mailings, or presentations during which substantial factual information about the item is gathered by or submitted to the Council Member.

### 5) Disclosure

When the item is presented to the Council for hearing, Council Members will disclose any contacts which have significantly influenced their preliminary views or opinions about the item. The disclosure may be oral or written, and should explain the substance of the contact so that other Council Members, interested parties, and the public will have an opportunity to become apprised of the factors influencing the Council's decision and to attempt to controvert or rebut any such factor during the hearing. Disclosure alone will not be deemed sufficient basis for a request to continue the item. A contact or the disclosure of a contact shall not be deemed grounds for disqualification of a Council Member from participation in a quasi-judicial/planned community decision unless the Council Member determines that the nature of the contact is such that it is not possible for the Council Member to reach an impartial decision on the item.

### 6) No Contacts after Hearings

Following closure of the hearing, and prior to a final decision, Council Members will refrain from any contacts pertaining to the item, other than clarifying questions directed to City staff.

## **Santa Monica Rules of Conduct for City Council Meetings**

### **RULE 14. DISCLOSURE FOR QUASI JUDICIAL MATTERS.**

On quasi-judicial matters, Councilmembers shall verbally disclose off the record contacts relating to the item, after the item is called and before Council consideration of the matter. Disclosure shall include the identity of an individual(s) with whom the Councilmember had contact, and the nature of the contact.

## **Mountain View City Council Code of Conduct (2015)**

### **4.7 Quasi-Judicial Role/Ex Parte Contacts**

The City Council has a number of roles. It legislates and makes administrative and executive decisions. The Council also acts in a quasi-judicial capacity or "like a judge" when it rules on various permits, licenses, and land use entitlements.

In this last capacity, quasi-judicial, the Council holds a hearing, takes evidence, determines what the evidence shows, and exercises its discretion in applying the facts to the law shown by the evidence. It is to these proceedings that the rule relative to ex parte contacts applies.

**4.7.1 Ex Parte Contacts/Fair Hearings.** The Council shall refrain from receiving information and evidence on any quasi-judicial matter while such matter is pending before the City Council or any agency, board, or commission thereof, except at the public hearing.

As an elected official, it is often impossible to avoid such contacts and exposure to information. Therefore, if any member is exposed to information or evidence about a pending matter outside of the public hearing, through contacts by constituents, the applicant or through site visits, the member shall disclose all such information and/or evidence acquired from such contacts, which is not otherwise included in the written or oral staff report, during the public hearing, and before the public comments period is opened.

Matters are "pending" when an application has been filed. Information and evidence gained by members via their attendance at noticed public hearings before subordinate boards and commissions are not subject to this rule.

**Thousand Oaks Municipal Code (1984) Sec.**

1-10.08. Ex parte communications.

No official or employee shall encourage, make or accept any ex parte or other unilateral application or communication that excludes the interests of other parties in a matter under consideration when such application or communication is designed to influence the official decision or conduct of the official or other officials, employees or agencies in order to obtain a more favored treatment or special consideration to advance the personal or private interests of him/herself or others. The purpose of this provision is to guarantee that all interested parties to any matter shall have equal opportunity to express and represent their interests.

Any written ex parte communication received by an official or employee in matters where all interested parties should have an equal opportunity for a hearing shall be made a part of the record by the recipient.

Any oral ex parte communication received under such conditions should be written down in substance by the recipient and also be made a part of the record.

A communication concerning only the status of a pending matter shall not be regarded as an ex parte communication.

◇◇◇◇◇



**“REVISED PLEDGE”**

I, \_\_\_\_\_ do solemnly swear that I will support and defend the Constitution of the United States and the Constitution of the State of California against all enemies, foreign and domestic; that I will bear true faith and allegiance to the Constitution of the United States and the Constitution of the State of California.

*As LAFCO Commissioner, pledge to uphold LAFCo’s mission and mandate to promote sustainable growth and good governance in San Joaquin County. As an appointed LAFCo Commissioner, I will represent the interests of the public as a whole, and not solely the interests of my appointing authority. In doing so, I will help LAFCo be a forward thinking agency that stewards public resources for the good of the whole county.*

*I will faithfully fulfill my duties as a LAFCo Commissioner, recognizing that LAFCo’s work yields public benefits and that LAFCo has a unique role and responsibility in shaping the future of the county.*

\_\_\_\_\_  
*Commissioner Signature*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Executive Officer*

\_\_\_\_\_  
*Date*



Balancing Community and Commerce

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

## EXECUTIVE OFFICER'S REPORT

July 13, 2023

**TO:** LAFCo Commissioners

**FROM:** Jeffery Hightower, Executive Officer

**SUBJECT:** Mountain House Incorporation – Study Session on Draft Comprehensive Fiscal Analysis for the Proposed Incorporation of the City of Mountain House (Public Review Draft)

### Recommendation

It is recommended that the Commission receive information regarding the Draft Comprehensive Fiscal Analysis (DCFCA) completed for the Mountain House Community Service District's (MHCS D) incorporation application.

### Background

On January 13, 2021, the MHCS D Board of Directors (MHCS D Board) adopted a resolution requesting that LAFCo initiate proceedings for the incorporation of a new City of Mountain House (Proposed City), and filed its application to LAFCo in February 2021. Since the original filing in February 2021, the MHCS D Board amended the original application three times. First, on May 11, 2022, the MHCS D Board approved an Amended Resolution of Application for Incorporation to LAFCO, which clarified that MHCS D would divest all of its statutorily authorized powers except the power to enforce Covenants, Conditions, & Restrictions ("CC&Rs"), with the Proposed City assuming the divested powers, and would be established as a subsidiary district of the Proposed City. Later, in November 2022 and again in April 2023, MHCS D initiated annexation proposals for several additional parcels located in the Mountain House General Plan area and additional undeveloped land near the eastern end of the community, which areas were then included in the MHCS D incorporation application.

A key component of the proceedings for incorporation of the Proposed City is the CFA (CFA), required pursuant to the Cortese-Knox-Hertaberg Local Agency Reorganization Act of 2000 (CKH), specifically, Government Code section 56800. Pursuant to Section 56800, the LAFCo Executive Officer is required to prepare, or cause to be prepared by contract, the CFA.

For purposes of the MHCS D incorporation Application, LAFCo contracted with RSG, a firm with extensive experience in preparation of municipal financial documents, including Draft CFA's for other incorporations. The analysis done by RGS, will be the cornerstone of the staff report for the proposed incorporation of the new City of Mountain House. The Draft CFA reflects data from FY 2021/2022. Thus, it is important for the Commission to receive information and understand the findings of the CFA.

The CFA is required to document the anticipated costs, revenues, and effects of the incorporation of the Proposed City for the first three years after incorporation, however, the Draft CFA which is before the Commission for purposes of this study session, uses a longer forecast of ten years. The Draft CFA also presents other relevant information regarding the proposed incorporation. The purpose of this study session is to allow the Commission to study, discuss, receive public comment and provide input to staff related to the Draft CFA for the Proposed City

The Draft CFA, generally, provides information to help ensure that the incorporation is a square deal for all parties involved – the Proposed City of Mountain House, Special Districts (specifically the Tracy Rural Fire Protection District and MHCS D), and County. The Draft CFA reflects data provided through cooperation with County departments such as the Auditor/Controller’s Office, Sheriff’s Department, and Community Development just to name few, and shows that the Mountain House incorporation is feasible and unlike other recent incorporations will just require a transition year as compared on-going, up to 12 years allowed, payments by the County.

The comparatively strong financial foothold for Mountain House to incorporate is the result of 25 years plus of mindful planning. Becoming a city was envisioned when the current MHCS D was formed in 1996, then governed by the County Board of Supervisors—since 2008 the Directors of MHCS D have been directly elected by Mountain House voters. Incorporation will be a benefit to residents within the Mountain House community in that as a city, the community will qualify for additional revenues and grants specific to cities, such as gas taxes, Measure “K” and other transportation related revenues, and Community Development Block Grants.

The incorporation proposal includes continued collection by the Proposed City of MCHSD special taxes, that the CFA assumes will increase by 2.4% annually (consistent with historic growth rates over the past 20 years). These special taxes fund needed services such as transportation, public safety, parks and recreation, as well as public works. Additionally, the Proposed City will receive a share of County property tax revenues generated within the area to proposed to be incorporated. The LAFCo proposed boundary includes the elimination of islands that if incorporated would detach from Tracy Rural Fire District with a de minimus impact to the District.

Below is a table showing the necessary steps for incorporation of the Proposed City with the process currently at step 3, Preparation of Comprehensive Fiscal Analysis.

|   |
|---|
| <p><b>1. Incorporation Feasibility Analysis (IFA)</b> – MHCS D reviews and accepts IFA. The IFA will inform the decision by MHCS D and the public about City financial feasibility and incorporation benefits and costs so they can decide whether to proceed.</p>  |
| <p><b>2. Initiate Incorporation Process</b> – A resident petition and application to LAFCo can initiate the process, or MHCS D can submit the incorporation application. If initiated by residents, MHCS D could approve a resolution in support of incorporation and contribute funding for LAFCo fees and charges for the application.</p>  |
| <p><b>3. Preparation of Comprehensive Fiscal Analysis (CFA)</b> – Following receipt of an incorporation application, LAFCo will issue a consultant Request for Proposals (RFP) and commission a CFA, which is a more detailed version of the current IFA. The purpose of the CFA is to document the financial feasibility of the proposed new City and to determine financial impacts, if any, on other agencies. The CFA provides the basis for establishing a transfer of property tax from the County to the new City and for specifying revenue neutrality payments, if required, from the City to the County or other agencies. The Public Services Allocation Agreement (PSAA) between the County and MHCS D, amended in 2003, recognizes that State statutes require the County to pay the costs of incorporation, but the PSAA states that in the case of a Mountain House incorporation, MHCS D shall pay all costs associated with the preparation of the Comprehensive Fiscal Analysis (CFA) required for incorporation. The CFA should be completed during the fiscal year following the release of County financial information for the prior fiscal year. If the CFA process extends into another fiscal year, there is a risk that its data will require updating, creating additional costs and causing delays.</p> |
| <p><b>4. Revenue Neutrality Negotiations</b> – Meetings will occur between the incorporation applicants and the County to agree upon revenue neutrality mitigations, if required, and other transition and Cityhood issues that may affect the County and the new City. The negotiations may also include the nature and payment for ongoing transition year services provided by the County.</p>   |
| <p><b>5. LAFCo Hearings</b> – LAFCo will hold a series of hearings to review the application, the CFA, and the LAFCo Staff Report. If the proposal is approved, LAFCo approval will be accompanied by a set of “Terms and Conditions” applicable to the incorporation. For example, terms will specify the amount of property tax sharing between the County and the City. Public input will be received during these meetings.</p>   |

**6. Election** – Incorporation requires majority approval of the voters within the new City's boundaries. The election ballot may include an election for council members, or the council may be elected on a separate ballot (but before the effective date of incorporation).

**7. Formation** – LAFCO's Terms and Conditions will specify the "effective date" of the new city, typically at the start of a new fiscal year on July 1. This date could be extended if necessary to allow time for certification of election results, required filings, and other transition actions.

**8. Transition Year** – If requested by the new City, the County is required to continue to provide services for the remainder of the City's first fiscal year. This transition allows time for the new City to hire staff and enter into contracts for services, and to begin receiving City revenues which may require a filing process which could delay the receipt of new City revenues. The new City will be required to repay the County for any County services provided during the transition year (which are not otherwise reimbursed by revenues retained by the County during the transition period). The transition year is an opportunity for the new City to accrue reserves for future cash flows and contingencies

A more detailed financial analysis of the proposed incorporation is within the attached public review Draft CFA. The project delivery team of Mountain House representatives, the CFA consultant RSG, as well as special counsel with BB&K, will provide their insights during the study session.

Attachments:

Exhibit A. Draft Comprehensive Financial Analysis for the Proposed Incorporation of the City of Mountain House (Public Review Draft)

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**COMPREHENSIVE FISCAL ANALYSIS  
OF THE PROPOSED INCORPORATION OF THE  
CITY OF MOUNTAIN HOUSE**

**JULY 3, 2023**



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## LIST OF ACRONYMS USED

AB: Assembly Bill

AV: Assessed Value

LLMD: Lighting and Landscape Maintenance Districts

BLS: Bureau of Labor Statistics

CC&Rs: Covenants, Conditions, and Restrictions

CDTFA: California Department of Tax and Fee Administration

CFA: Comprehensive Fiscal Analysis

CHP: California Highway Patrol

CKH: Cortese Knox Hertzberg

CPI: Consumer Price Index

DOF: California State Department of Finance

EIR: Environmental Impact Report

FY: Fiscal Year

GIS: Geographic Information Systems

LAFCO: Local Agency Formation Commission

LLMD: Lighting and Landscape Maintenance Districts

MHCSD: Mountain House Community Services District

MVS: Marshall and Swift Valuation Service

NPDES: National Pollution Discharge Elimination System

OPR: Governor's Office of Planning and Research

SB: Senate Bill

SCH: State Clearing House

SCO: State Controller's Office

VLF: Motor Vehicle License Fees

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## INTRODUCTION

On February 23, 2021, the Mountain House Community Services District (“MHCS D” or “proponents”) filed an application for incorporation of the City of Mountain House with San Joaquin Local Agency Formation Commission (“LAFCO”). If approved by LAFCO and subsequently eligible voters, incorporation would result in reorganization of MHCS D to the City of Mountain House (“City”).

Since the original filing in February 2021, the MHCS D Board of Directors amended the original application three times. First, on May 11, 2022, the MHCS D Board of Directors approved an Amended Resolution of Application for Incorporation to LAFCO which clarified that MHCS D would divest all of its statutorily authorized powers except the power to enforce Covenants, Conditions, & Restrictions (“CC&Rs”), with the City assuming the divested powers, and would be established as a subsidiary district of the City. Later, on November 2<sup>nd</sup>, 2022, MHCS D applied for the annexation of several additional parcels located in the Mountain House General Plan area. And finally, in April of 2023, additional undeveloped land near the eastern end of the community was included in the incorporation application.

The process for incorporation is governed by the Cortese Knox Hertzberg Local Government Reorganization Act of 2000, Government Code Sections 56000-57550 (“CKH Act”) as implemented by LAFCO. The process generally includes preparation of various documents that are reviewed by LAFCO. If Commission, LAFCO’s governing body, elects to approve the application, it advances to the voters of the subject area for final decision.

Among the requirements of the CKH Act is that the LAFCO Executive Officer prepare or cause to be prepared this Comprehensive Fiscal Analysis (“CFA”) that would become part of the Executive Officer’s report submitted to the Commission at a public hearing. The purpose of the CFA is to document the anticipated costs, revenues, and effects of the proposed incorporation, as well as present other information as may be necessary. Among the agencies affected by incorporation are the County of San Joaquin (“County”), Tracy Rural Fire Protection District (“Tracy Rural”) and MHCS D. For the most part, if incorporated, the duties of these agencies would shift to the responsibility of the new City, with some notable exceptions.

LAFCO retained RSG, Inc. (“RSG”) to prepare this CFA. RSG is a California-based community development consulting firm with over 30 years of experience working on fiscal analyses and special studies for similar clients, including municipal service reviews, annexation fiscal analyses, and incorporation fiscal analyses. Incorporations in California are increasingly rare due to the difficulty of proving the financial viability of an unincorporated area, voter acceptance and approval of the incorporation proposal, and various hurdles in state law. RSG was the fiscal consultant that prepared the Comprehensive Fiscal Analysis for the proposed incorporation of Olympic Valley (Placer County) that was abandoned by the proponents, and prior to that the incorporation of Oakhurst (Madera County) which failed at the polls.

### KEY FINDINGS OF THIS CFA

This CFA conducted a thorough analysis of data provided by a variety of public agencies and stakeholders using data from the latest fiscal year as required by Section 56800, which in this case is the year ending June 30, 2022 (FY 2021-22). LAFCO requested that RSG prepare the analysis for the proponents’ proposed boundary (“Proposed Boundary”) as presented in MHCS D’s amended application, as well as for the Executive Officer’s alternative boundary that adds several unincorporated islands adjacent to the Proposed Boundary (“LAFCO Alternative Boundary”). This CFA also analyzes two lower growth rate scenarios resulting in a total of four different forecasts of revenues and expenditures in this CFA.

---

Figure 1 provides a table and graph summarizing the annual General Fund revenues and expenditure impacts of incorporation for each of the four scenarios analyzed. Overall, this CFA has concluded that incorporation of Mountain House as proposed and under the various alternative scenarios **may be feasible in that annual General Fund revenues are projected to exceed expenditures.**

The major findings of the CFA show the following:

- **Projected General Fund Revenue Surplus (before Potential Revenue Neutrality Payments):** Based on the assumptions and analysis described herein, the City's potential General Fund, accounting for Special Tax fund revenues used for municipal services, **will produce a surplus in each year of the analysis.**

See Appendix 1 for a forecast of the General Fund for the City of Mountain House under the Proposed Boundary and Appendix 9 for a forecast of the Special Tax funds.

- **Retention of CC&R Enforcement in the MHCS D as a Subsidiary District of the City:** The application for incorporation proposes to divest MHCS D of all of its statutorily authorized powers except the power to enforce Covenants, Conditions & Restrictions ("CC&Rs") within its boundaries and establishing MHCS D as a subsidiary district of the City. A small transfer of property taxes will fund the Subsidiary District to cover its costs of operations.
- **Revenue Neutrality Payment Estimates:** Section 56815 of the CKH Act establishes the ability for agencies detrimentally affected by incorporation to negotiate for payments when revenues lost to a new city are not offset by a substantially equal amount of decreased expenditures. These payments, known as revenue neutrality payments, are negotiated between the proponents and the affected agencies based on information in the CFA.

This CFA concludes that the County will not suffer from a loss of net revenues due to incorporation and therefore the **County would not be entitled to revenue neutrality payments** from the new city.

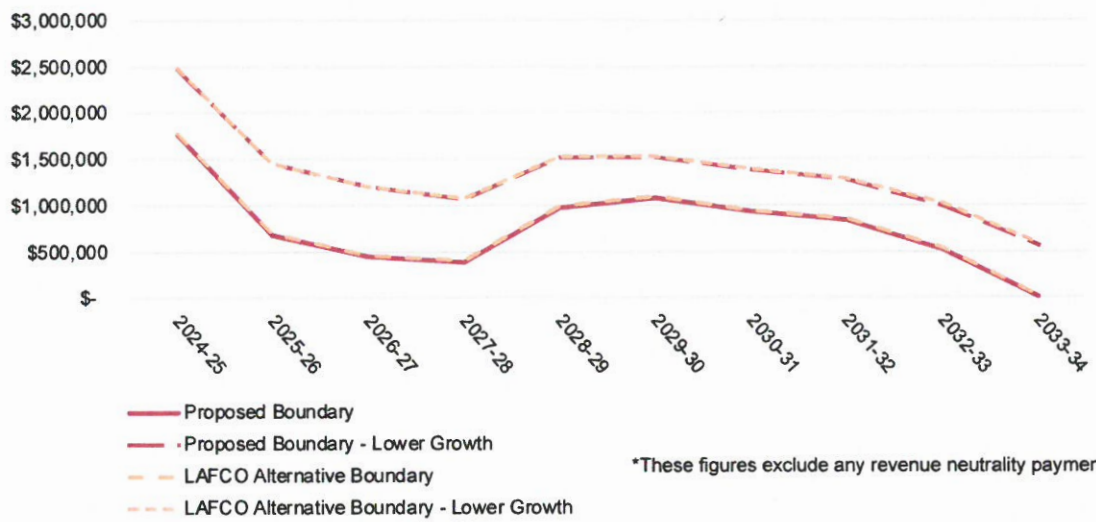
Tracy Rural Fire Protection District ("Tracy Rural") may experience a minor net revenue loss and even if Tracy Rural were to receive revenue neutrality payments, the impact is anticipated to be negligible to the City. As explained on page 89, Tracy Rural has benefitted from substantial capital improvement assistance from MHCS D that may offset any claim for revenue neutrality payments.

- **Incorporation Projected to be Feasible Under Different Boundary and Growth Alternatives:** RSG determined that the three alternatives to the proponents' incorporation scenario are also feasible as projected General Fund revenues exceeding expenditures in our forecast. The alternatives are as follows; a financial summary of each can be found in the appendices, and more detailed findings can be found in the conclusions.
  - Alternative 1: Proposed Boundary (Lower Growth)
  - Alternative 2: LAFCO Alternative Boundary
  - Alternative 3: LAFCO Alternative Boundary (Lower Growth)

Figure 1 illustrates the annual General Fund revenue, expenditures, and surplus/(deficit) projected for the transition year and the ten-year forecast using the Proposed Boundary scenario. For illustrative purposes, we compared the projected annual General Fund surplus/(deficit) resulting from the three alternatives as well.

**Figure 1 – Annual General Fund Projections, All Scenarios**

| Year       | Proposed Boundary |               |                     | Alternative Scenarios: Surplus/(Deficit) |                            |   |
|------------|-------------------|---------------|---------------------|--|----------------------------|---|
|            | Revenues          | Expenditures  | Surplus / (Deficit) | Proposed Boundary - Lower Growth         | LAFCO Alternative Boundary | LAFCO Alternative Boundary - Lower Growth |
| TY 2024-25 | \$ 13,967,747     | \$ 12,195,550 | \$ 1,772,197        | \$ 2,471,975                             | \$ 1,783,029               | \$ 2,476,936                              |
| 1 2025-26  | 15,501,151        | 14,817,479    | 683,672             | 1,453,577                                | 697,340                    | 1,458,719                                 |
| 2 2026-27  | 17,110,283        | 16,664,798    | 445,485             | 1,201,837                                | 463,017                    | 1,207,807                                 |
| 3 2027-28  | 17,849,153        | 17,459,168    | 389,986             | 1,071,871                                | 407,400                    | 1,079,741                                 |
| 4 2028-29  | 18,020,253        | 17,043,463    | 976,790             | 1,518,986                                | 993,870                    | 1,527,516                                 |
| 5 2029-30  | 19,356,903        | 18,278,002    | 1,078,902           | 1,513,606                                | 1,096,291                  | 1,524,721                                 |
| 6 2030-31  | 20,194,703        | 19,267,329    | 927,374             | 1,382,111                                | 943,895                    | 1,395,490                                 |
| 7 2031-32  | 21,442,703        | 20,603,696    | 839,007             | 1,275,712                                | 854,619                    | 1,292,173                                 |
| 8 2032-33  | 22,159,674        | 21,635,127    | 524,547             | 998,441                                  | 541,671                    | 1,022,779                                 |
| 9 2033-34  | 22,899,309        | 22,892,403    | 6,906               | 560,585                                  | 22,896                     | 580,227                                   |



## STUDY AREA DESCRIPTION

The Proposed Boundary is comprised of 4,448 acres within the Mountain House Master Plan (“Master Plan”) area. Located in the western portion of the County, the Proposed Boundary is in the southern San Joaquin and Sacramento River Delta region, north of Interstate 580 (“I-580”), northwest of the City of Tracy, and south of the Old River. Land use within the Proposed Boundary consists mainly of single-family residential, with very little commercial or industrial uses.

Based on the Proposed Boundary, the City would be the eighth incorporated city in the County, and would have the sixth largest population of the incorporated cities in the County as shown in Figure 2. This is based on the calculated Fiscal Year (“FY”) 2021-22 population of 27,032.

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**Figure 2 – Mountain House Population Comparison**

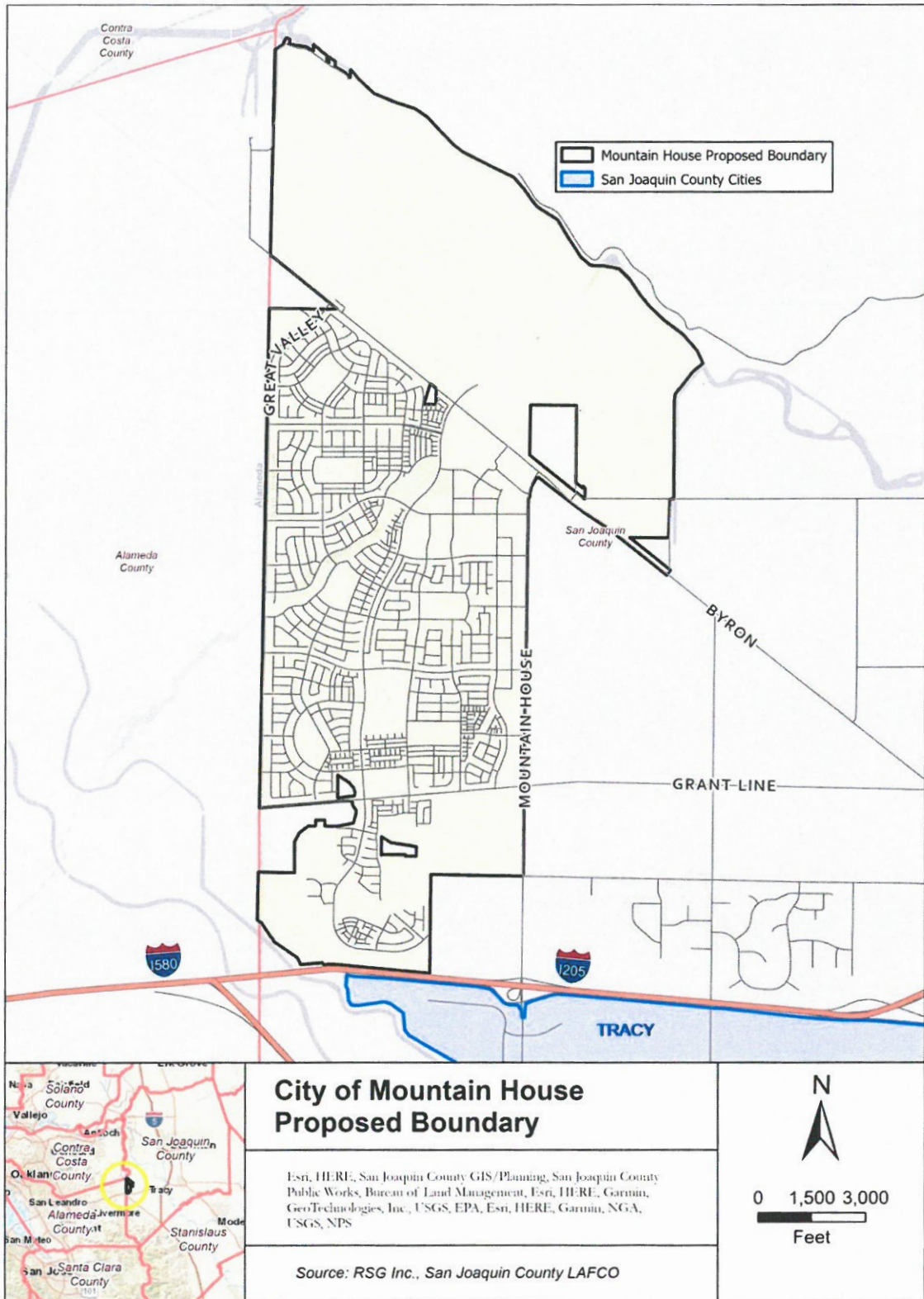
| <u>City Name</u>                           | <u>Population<sup>1</sup></u> |
|--|-------------------------------|
| Stockton                                   | 322,489                       |
| Tracy                                      | 94,538                        |
| Manteca                                    | 86,859                        |
| Lodi                                       | 66,570                        |
| Lathrop                                    | 31,331                        |
| <b>Mountain House<sup>2</sup></b>          | <b>27,032</b>                 |
| Ripon                                      | 15,979                        |
| Escalon                                    | 7,362                         |
| <hr/> Total Cities (with Mountain House)   | <hr/> 652,160                 |
| <br>                                       |                               |
| <hr/> Unincorporated (Less Mountain House) | <hr/> 132,138                 |

<sup>1</sup> Population sourced from DOF January 1, 2022 Population Estimates

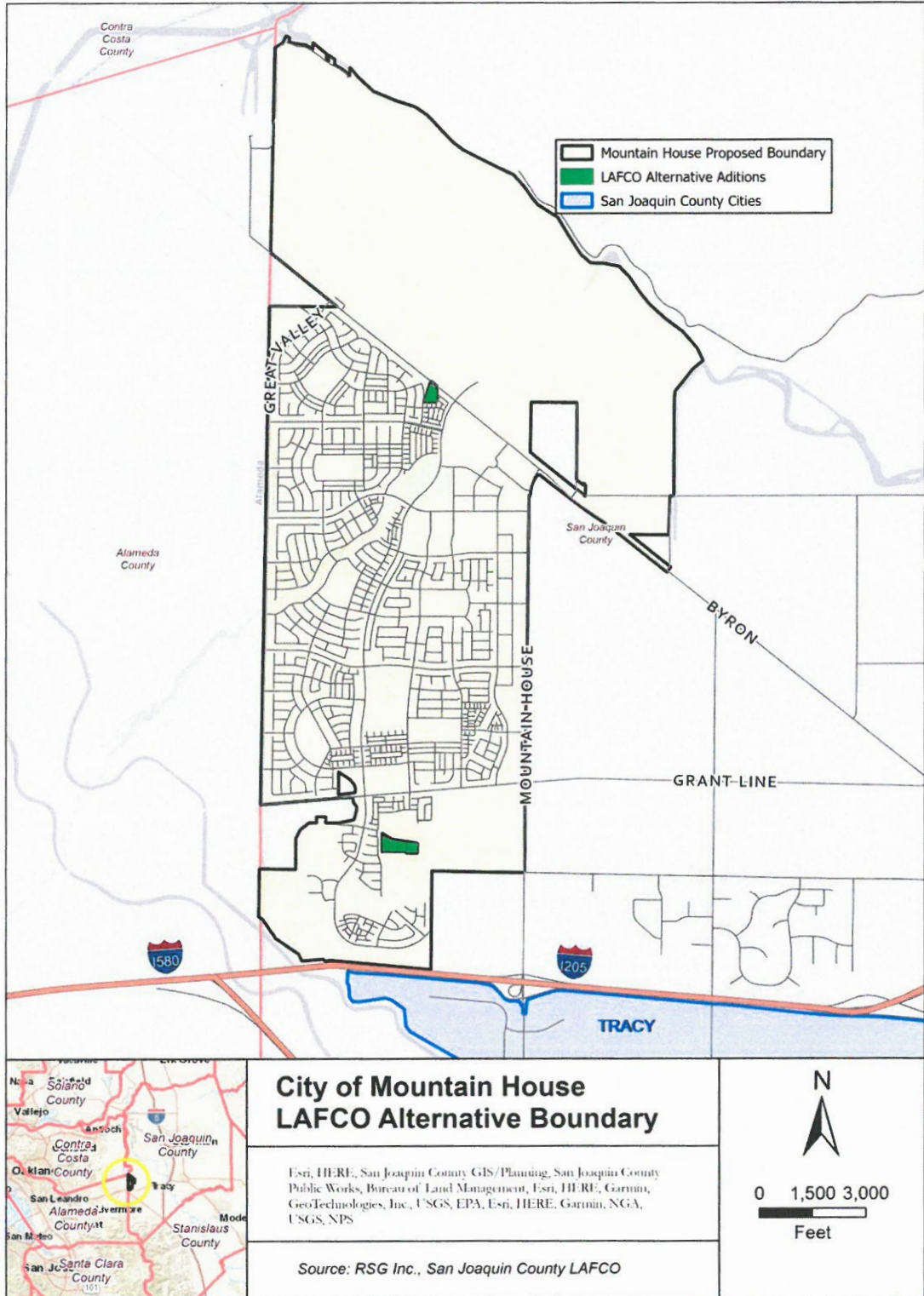
<sup>2</sup> Mountain House Proposed Boundary population as projected in FY 2021-22

Figure 3 shows the Proposed Boundary while  
Figure 4 shows the LAFCO Alternative Boundary.

**Figure 3 – Proposed Boundary**



**Figure 4 – LAFCO Alternative Boundary**





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## BACKGROUND

### MOUNTAIN HOUSE MASTER PLAN AND THE CREATION OF MHCS D

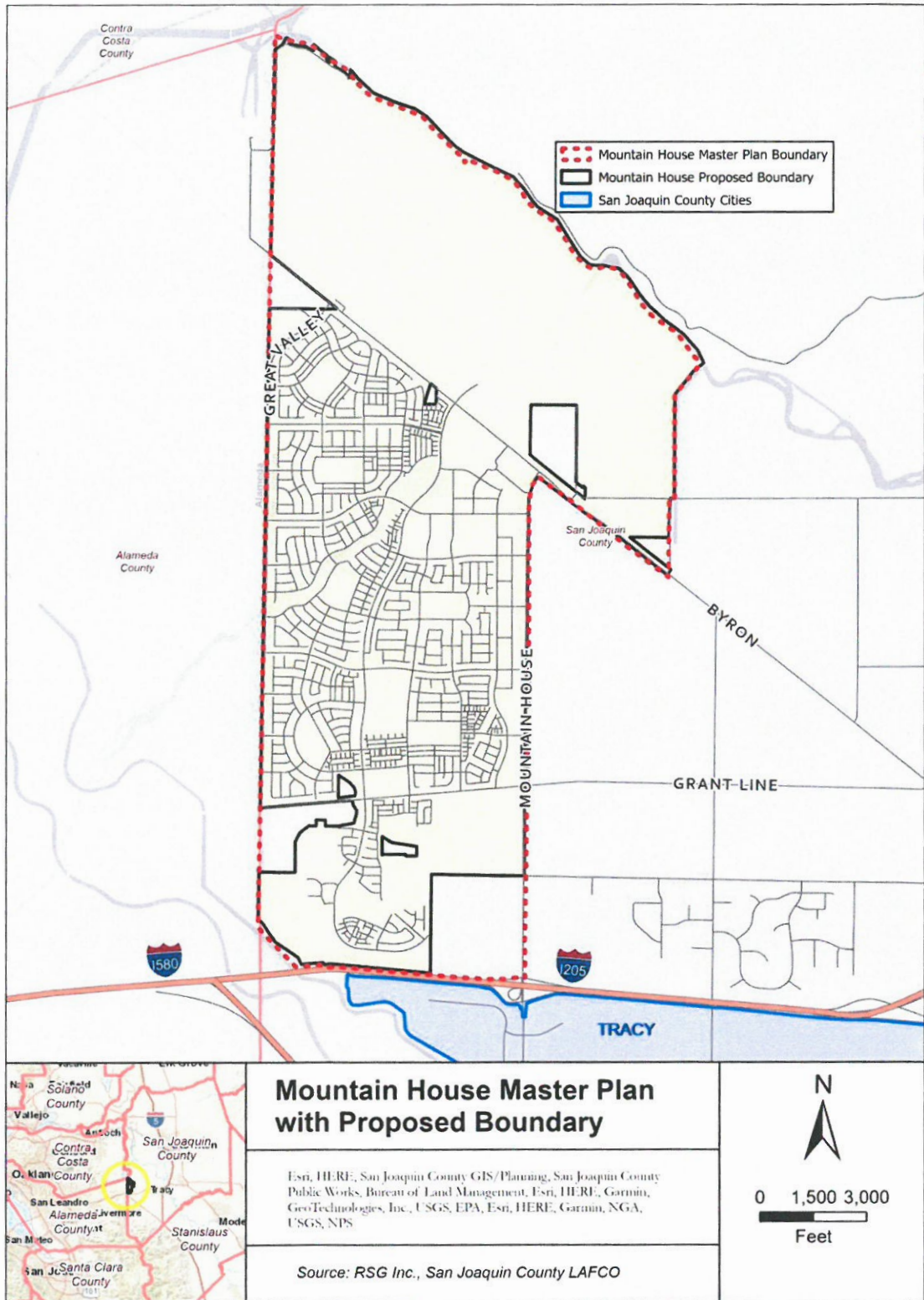
The Master Plan was adopted by the San Joaquin County Board of Supervisors in 1993. Shortly thereafter in 1996, the Board of Supervisors created the Mountain House Community Services District to fund and deliver municipal services to the community as it developed. According to the proponents, it was anticipated that the MHCS D would eventually incorporate as a city. This is evidenced by the adoption of SB 1397 in 1994 which added Section 56833.5. to the Government Code, now numbered 56802 in the CKH Act, related to payment for the comprehensive financial analysis for incorporation of the MHCS D territory.

As of the 2020 Decennial Census, which was the last time the area was officially tallied, the Mountain House Master Plan area possesses 24,499 residents.<sup>1</sup> This area encompasses approximately 7.5 square miles, while the Proposed Boundary encompasses a slightly smaller 6.95 square miles. As mentioned earlier, the estimated population of the Proposed Boundary in FY 2021-22 is 27,032, an almost 3,000 resident increase since 2020. The Proposed Boundary, and by extension the Master Plan area, experienced a tremendous amount of growth in recent years, averaging a 15 percent increase in residents per year since 2010. The growth is attributed to the elevated pace by which residential developments have been approved and built. The Proposed Boundary is predominantly single-family homes with few commercial and industrial developments. Figure 5 presents a map of the Master Plan area and the Proposed Boundary.

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<sup>1</sup> The 2020 Census geographic unit for Mountain House generally aligns with the Master Plan area more than the MHCS D boundary.

**Figure 5 – Mountain House Master Plan**



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## PROPONENTS INCORPORATION APPLICATION

On January 13, 2021, the MHCS D Board of Directors adopted a Resolution of Application requesting that the San Joaquin LAFCO initiate proceedings for the incorporation of the City of Mountain House. MHCS D submitted to LAFCO the application for City Incorporation of the City of Mountain House in February 2021. The application included the Resolution of Application, boundary map, and preliminary Incorporation Feasibility Analysis, completed by Berkson Associates in October 2020. At the request of LAFCO staff, MHCS D then amended its application for incorporation in May of 2022 to clarify that the MHCS D would remain in existence after incorporation as a subsidiary district, divesting all of its powers with the exception of the power to enforce CC&Rs. Later in November of 2022, MHCS D applied for the annexation of several parcels in the overarching Mountain House Master Plan area. MHCS D desired that these parcels be included in the incorporated City boundary. Additional parcels were added to the annexation push in April of 2023 for a final boundary analyzed in this CFA.

## LEGAL PROCESS AND REQUIREMENTS

LAFCOs are local agencies mandated by the State to:

- Coordinate the orderly formation of local governmental agencies
- Preserve agricultural land resources
- Discourage urban sprawl

Typically, during a LAFCO Staff review of an incorporation proposal, LAFCO Staff and the CFA consultant consider alternative boundaries or plans for services. LAFCOs are tasked with determining whether the incorporation of a proposed city is financially feasible and the extent that the transfer of assets, services, responsibilities and more from the county and other affected agencies are to be mitigated for fiscal imbalance caused by the incorporation.

Section 56800 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“CHK Act”) requires the LAFCO Executive Officer to prepare, or cause to be prepared by contract, a CFA establishing minimum, though somewhat outdated and obsolete, procedures and requirements for incorporation proposals. Pursuant to AB 2838,<sup>2</sup> the Governor’s Office of Planning and Research (“OPR”) prepared *A Guide to the LAFCO Process for Incorporations*, in October 2003 (“Guidelines”). The Guidelines provide suggestions on the appropriate content of a CFA and a “suggested process to address the legal requirement of ensuring that incorporations are revenue neutral,” as described later within the CFA. To supplement the Guidelines, LAFCOs may adopt their own policies, procedures, and regulations for incorporations, although the San Joaquin LAFCO has not adopted any additional incorporation policies. Further, because the guidelines are now nearly 20 years old, aspects of how new cities are financed have changed. RSG adapted the methodology, where appropriate, to ensure this CFA is realistic and accurate, and noted such deviations in this CFA.

The CFA serves as a basis for the LAFCO Executive Officer’s Report and Recommendation and Terms and Conditions. The LAFCO Board will consider the CFA when making its decision on the incorporation proposal at a public hearing. The CFA is the basis for revenue neutrality negotiations between the proponents and the County, which will occur prior to the public hearing on the incorporation. Following revenue neutrality negotiations, LAFCO may update the CFA and set an effective date of incorporation. Ultimately, the effective date of incorporation depends on the successful processing of an incorporation application, subject to a protest hearing and a majority approval by eligible registered voters.

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<sup>2</sup> Chapter 761, Statutes of 2000

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## ASSUMED TIMING OF INCORPORATION

The timing of incorporation is subject to actions that have yet to be scheduled, including completion of this CFA in final form, negotiations on any terms and conditions (including but not limited to revenue neutrality), Commission actions, and ultimately a vote by the registered voters within the proposed boundaries.

The tentative schedule that RSG employed for this proposal is as follows:

|                          |  |
|--------------------------|--|
| <b>February 23, 2021</b> | MHCSD submitted an Application of Incorporation to LAFCO   |
| <b>May 11, 2022</b>      | Board approved an Amended Resolution of Application for Incorporation to LAFCO.                      |
| <b>November 2, 2022</b>  | MHCSD submitted an application for the annexation of additional territory to be included in the CFA. |
| <b>May 2023</b>          | Draft CFA circulated to LAFCO  |
| <b>June 2023</b>         | Draft CFA circulated to MHCSD, County  |
| <b>July 2023</b>         | Public review period   |
| <b>August 2023</b>       | Community workshop   |
| <b>August 2023</b>       | LACFO completes Certificate of Filing  |
| <b>September 2023</b>    | LAFCO Commission Public Hearing  |
| <b>March 2024</b>        | Election for incorporation (tentative)   |
| <b>July 1, 2024</b>      | Incorporation effective, transition period (12 months) begins  |

To prepare this CFA, RSG made certain assumptions about the timing of these future events, described in the sections below.

### **2021-22 Base Year**

This CFA presents a realistic forecast of operating revenues and expenditures for the new City over a ten-year period to provide LAFCO with additional information beyond the statutory three-year requirement in CKH. Pursuant to **Government Code Section 56800**, "data used for the analysis shall be from the most recent fiscal year for which data are available, preceding the issuances of the certificate of filing." Consequently, this CFA assumes that public review will begin in the summer of 2023 and a certificate of filing will be issued by LAFCO during or before that period.

RSG developed this CFA using actual revenues and expenditures from the last audited fiscal year of 2021-22, which is the "base year" of this forecast; in all cases, base year data reflects 2021-22 actual costs, revenues, and service levels. Where applicable, projected cost and revenue estimates were based on 2022-23 figures provided by the MHCSD, County, and other official sources. Overall, RSG notes that these 2022-23 costs and revenues to be materially consistent with 2021-22 base year figures.

Should there be a significant delay in the incorporation process and issuance of the certificate of filing is pushed back, data from 2022-23 may become available. This would make 2022-23 the "most recent fiscal year for which data is available." In that instance, it is possible that this CFA would have to be updated to establish 2022-23 as the base year and utilize actual revenues and expenditures from that year instead. An updated base year may cause material changes to the findings and conclusions expressed in this CFA.

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### ***July 1, 2024, Presumed Effective Date of Incorporation***

For the purposes of this Report, provided all procedural actions are completed, including LAFCO approval and a successful election in March 2024, the effective date of incorporation for the City of Mountain House is assumed to be July 1, 2024. The flow of revenues to the new City is dependent upon the establishment of an effective date, and a change in the effective date of incorporation may materially change the financial analysis in the short term.

While a 12-month transition period is common, RSG also believes that the transition for this incorporation will be less complex compared to other incorporations given that the CSD provides many services that would be transitioned to the new City.

### ***Twelve Month Transition Period***

The transition period is the time between the effective date of the incorporation and the time when the new City must assume full-service responsibility, in this case from July 1, 2024, to June 30, 2025. The one-year transition period would afford the new City the opportunity to hire additional staff, initiate contracts for services, and generally prepare for full assumption of municipal services in the following fiscal year. Some, but not all, future municipal costs and revenues would begin to be flow to the new City during some portion of the transition period, while other costs and revenues may still flow to the County. A full year of all City property taxes are assumed to be received.

To mitigate the potential adverse fiscal impacts on the City during the transition period if assumptions in this CFA about the timely transfer of funds do not occur, LAFCO's Terms and Conditions could provide a mechanism to address the potential issue. For example, in the event that property tax revenues assumed in this CFA cannot be shifted from MHCS D and from the County to the new city in FY 2024-25, LAFCO Terms and Conditions could specify that these revenues shall be applied towards reimbursement of County transition year services; any additional funds received by the County during the transition year, in excess of reimbursements, that otherwise would have accrued to the City would be remitted by the County to the City.

The effective date of the new City can impact the cash flow of the jurisdiction. Revenues are received at varying times throughout the fiscal year and may be delayed and not immediately available. The timing of receipt of these revenues is more of a factor of the applicable statutes that direct the apportionment of such revenues. As such, no new city can collect all revenues immediately beginning on the effective date. RSG has noted these exceptions in this CFA.

In accordance with Section 57384 of the CKH Act, during the transition year, if the City requests, the County could continue to be responsible for maintaining its current level of service for MHCS D and provide a loan for such net costs to the City after the effective date of incorporation. The City would then be responsible for reimbursing the County for the costs to provide services during the transition year. Under Section 57384, a city has up to five years to reimburse the County for the net cost, unless the Board of Supervisors agrees to a longer period, or unless waived by the County. Revenues such as property taxes that may flow to the County instead of the City during the transition period, contrary to the assumptions in this CFA, could be applied towards the City's repayment to the County for transition period services.

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## METHODOLOGY AND DATA COLLECTION

This CFA analyzes data collected from various agencies and applies that information into a future service plan that will increase service levels compared to services today in the community. RSG employed a combination of our experience performing similar studies, current applicable law and practices, and the Guide for the LAFCO Process for Incorporations (“Guidelines”) in developing our methodology and analysis contained in this CFA.

As the Guidelines state:

*“Existing law does not provide an exact formula for establishing the first year’s expenditures for a new city. Budget projections are based on a series of judgment decisions related to other established cities, experience, and the type and level of services. In addition, the level of services provided and the type of provider (either the new city or a contract entity) will impact the annual projection of cost. OPR recommends that LAFCO clearly identify the assumptions underlying the projection of costs. These projections can also be based on a review of the budgets of similarly sized cities.”<sup>3</sup>*

RSG used such judgment and best practices in compiling data and developing forecast of costs and revenues in this Report, as described below. Because the Guidelines were created in 2003 and laws involving how cities may collect taxes and fees have changed, the Guidelines in and of themselves do not appropriately reflect today how new cities may collect revenues and expenditures; RSG had to adapt the Guidelines where appropriate to ensure that the CFA reflects current laws and practices involving fiscal analysis and local government finance.

### **Collection of Data**

Based on the current plan for services and the applicable providers, RSG compiled information for base year costs and revenues from agencies affected by incorporation. (See Figure 6 for the Plan for Services for the list of affected agencies.) The primary data sources for this CFA include the County, MHCS D staff and reports, the County Sheriff’s Department, a survey of comparable cities, and ESRI Business Analyst.

The following is a detailed schedule of the data requests sent:

|                     |  |
|---------------------|--|
| February 21, 2023   | On behalf of the LAFCO Executive Officer, RSG sent a data request to MHCS D requesting construction-growth data.   |
| February 24, 2023   | On behalf of the LAFCO Executive Officer, RSG also sent a data request to the MHCS D requesting financial, staff, and public property data.  |
| February 28, 2023   | On behalf of the LAFCO Executive Officer, RSG sent data requests to the San Joaquin County Auditor Controller, San Joaquin County Registrar of Voters, San Joaquin County Administrator, San Joaquin County Sheriff’s Department, San Joaquin County Community Development Department, Tracy Rural, and California Department of Tax and Fee Administration (“CDTFA”). |
| March – April, 2023 | On behalf of LAFCO Executive Officer, RSG sent follow up inquiries to the San Joaquin County Community Development Department and the San Joaquin County Sheriff’s Department for additional data needs.   |

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<sup>3</sup> A Guide to the LAFCO Process for Incorporations, October 2003, Governor’ Office of Planning and Research, page 34

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RSG analyzed, assessed, and filed each response as received. LAFCO and RSG followed up with the various parties for questions, clarification, or additional data requests to understand the methodology used to derive submitted responses.

RSG utilized the responses in conjunction with other data sources, best practices, and RSG staff knowledge from similar projects and communities. RSG prepared projections for the proposed City of Mountain House based on input from MHCSD staff, historical growth trends, and planned developments, and are intended to be realistic in nature. While RSG has made every effort to accurately ascertain service demands, costs, and any resulting revenues, several factors may influence budget projections including decisions that may be made by a future city council, regional or national economic impacts, changes to state or federal law, or natural disasters.

#### ***Use of Other City Budget Information in Developing this Report***

The Guidelines advise LAFCO that budget projections can be based on a review of the budgets of similarly sized cities. In our experience, no two cities are exactly alike, but we do find it helpful to compare cities similar to Mountain House and identify costs or services that the new city may experience. RSG considers budgets of existing California cities that are relatively comparable in terms of location, incorporation date, demographics, growth trends, operating budgets, and other factors.

RSG considered different cities and exercised judgment in selecting the appropriate “comparable cities” depending on the nature of the cost (or revenue) involved. In each case, considerable effort was taken to ensure that the existing level of services was driving the selection of the assumption used.

The “comparable cities” include three recently incorporated cities (Eastvale, Wildomar, and Menifee) as well as four other cities (Lathrop, Yucca Valley, Oakley, and Yucaipa). See page 21 for more information on how these other cities’ financial information was used in the development of this CFA.

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## THE INCORPORATION PROPOSAL

### PLAN FOR SERVICES

Municipal services in all analyzed boundaries are currently the responsibility of the MHCS D, the County, and the Tracy Rural. These entities provide services either directly, concurrently, or through a contract with a separate agency or organization. As a result of incorporation, all of these services will shift to the responsibility of the new city, with the exception of the enforcement of CC&Rs as explained later.

This section describes the plan for how services are expected to transition from affected agencies to the new city.

#### ***Municipal Services Cities May Provide***

By law, all cities must provide the following services:

- General legislative functions
- Land use planning and control over land use and development
- Law enforcement
- Animal control services
- Maintenance of public roads and other public property owned by the city

California cities may also choose to provide the following services:

- Fire protection and suppression
- Libraries
- Parks and recreational services
- Street lighting
- Street median maintenance
- Water
- Wastewater treatment and disposal
- Solid waste disposal
- Social services or other community services

Cities cannot perform all services exercised by any public agency. For example, cities are not authorized to enforce CC&Rs recorded on title of real property, while a community service district may perform these enforcement duties. This is relevant because MHCS D currently does enforce CC&Rs within its jurisdiction, so an entity other than the new city would have to be responsible for these services following incorporation. The proponents' proposal includes a request for LAFCO to divest MHCS D of all of its powers with the exception of the power to enforce CC&Rs, and to establish MHCS D as a subsidiary district of the City.

#### ***Existing Municipal Service – MHCS D***

As a community services district, MHCS D currently provides a multitude of municipal services and, with the exception of CC&R enforcement, the City will continue to provide them after incorporation. These include:



- 
- Road maintenance
  - Parks and recreation
  - Supplemental policing services (provided by San Joaquin County Sheriff)
  - CC&R Enforcement (to be provided by MHCS D after establishment as a subsidiary district of the new City upon incorporation)
  - Domestic water (provided by the Byron-Bethany Irrigation District)
  - Gas (provided by Pacific Gas and Electric (“PG&E”))
  - Library Services (provided in conjunction with Stockton–San Joaquin County Unified Library System)

#### ***Existing Municipal Service – County of San Joaquin***

The County is currently responsible for the provision of the following types of local municipal services to MHCS D:

- Solid waste collection/disposal (provided by West Valley Disposal)
- Animal Control (provided by San Joaquin County Sheriff’s Department – Animal Services Division)
- Base level policing services in the unincorporated areas (provided by San Joaquin County Sheriff’s Department)

#### ***Existing Services – MHCS D and County of San Joaquin***

MHCS D and the County both provide the following services. Upon incorporation, these services would transfer to the new City:

- General government
- Land-use planning
- Building and safety
- Code enforcement
- Engineering

#### ***Existing Services – MHCS D and Tracy Rural Fire Protection District***

MHCS D and Tracy Rural both provide the following services. Upon incorporation, these services would transfer to the new City:

- Fire protection/EMS services
  - within MHCS D, provided under contract with French Camp McKinley Rural County Fire Protection District (“French Camp Fire District”)
  - outside of MHCS D, provided by Tracy Rural

#### ***Proposed Service Plan***

Incorporation may affect the way some services are delivered to the City. Upon incorporation, the County’s local municipal service responsibility would transfer to the new City, along with portions of revenue generated within the City boundaries.

Per Government Code Section 56810, the Plan for Services matrix in Figure 6 presents the MHCSD's submitted Plan for Services and RSG's assessment of the level of service change following the transition from current to anticipated service providers.

**Figure 6 – Plan for Services, Proposed Incorporation**

| <b>Public Service</b>                                | <b>Responsibility/ Provider</b>                                    | <b>Anticipated Provider</b>  | <b>Service Change</b> |
|--|--|--|-----------------------|
| <b>General Government</b>                            | San Joaquin County & MHCSD   | New City - City Staff and Contract Services                                  | No Change             |
| <b>Police Services</b>                               | Responsibility: MHCSD <sup>1</sup>                                 | New City - Contract with County Sheriff, Neighboring City, or Form Own Dept. | No Change             |
| <b>Traffic Control &amp; Accident Investigation</b>  | California Highway Patrol  | New City - Contract with County Sheriff, Neighboring City, or Form Own Dept. | No Change             |
| <b>Animal Services</b>                               | SJSO Animal Control  | New City - Contract with Neighboring City or County                          | No Change             |
| <b>Fire Protection/EMS</b>                           | Responsibility: MHCSD <sup>2</sup> & Tracy Rural                   | New City - Contract with French Camp Fire District <sup>2</sup>              | New Provider          |
| <b>Land Use Planning</b>                             | San Joaquin County (Authority) & MHCSD (Some Services)             | New City - City Staff and Contract Services (Authority and Services)         | No Change             |
| <b>Building and Safety</b>                           | San Joaquin County & MHCSD   | New City - City Staff and Contract Services                                  | No Change             |
| <b>Code Enforcement</b>                              | San Joaquin County & MHCSD   | New City - City Staff and Contract Services                                  | No Change             |
| <b>CC&amp;R Enforcement</b>                          | MHCSD  | MHCSD (Subsidiary District)  | No Change             |
| <b>Engineering</b>                                   | San Joaquin County & MHCSD   | New City - City Staff and Contract Services                                  | No Change             |
| <b>Road Maintenance</b>                              | MHCSD  | New City - City Staff and Contract Services                                  | No Change             |
| <b>Parks &amp; Recreation</b>                        | MHCSD  | New City - City Staff and Contract Services                                  | No Change             |
| <b>Domestic Water</b>                                | Private Operator / BBID  | Private Operator / BBID  | No Change             |
| <b>Cable Television/Broadband Telecommunications</b> | Franchise Agreement  | Franchise Agreement  | No Change             |
| <b>Solid Waste Collection/Disposal</b>               | Responsibility: San Joaquin County <sup>3</sup>                    | Responsibility: New City   | No Change             |
| <b>Gas</b>   | PG&E   | PG&E   | No Change             |
| <b>Public Education</b>                              | Lammersville Unified School District                               | Lammersville Unified School District   | No Change             |
| <b>Library</b>                                       | MHCSD with the Stockton- San Joaquin County Unified Library System | New City with the Stockton - San Joaquin County Unified Library System       | No Change             |
| <b>Wastewater/Sanitation</b>                         | Private Operator   | Private Operator   | No Change             |

<sup>1</sup> Provider: Contract with San Joaquin County Sheriff

<sup>2</sup> Provider: Contract with French Camp McKinley Rural County Fire Protection District

<sup>3</sup> Provider: Tracy Delta/West Valley Disposal

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### ***Level of Service Changes Anticipated by Incorporation***

Because of the extent of municipal services provided by MHCS D today, incorporation is not expected to make many dramatic changes in the level of service in most circumstances. However, RSG does note two service areas where we believe incorporation would customarily result in increased levels of services:

- **General Government:** While the MHCS D Board of Directors is elected by voters within its jurisdiction, not all local governmental decisions are made by the MHCS D; land use decisions and other municipal services administered by the County are subject to the decisions of the County Board of Supervisors, for which one Supervisor represents the Mountain House area. With incorporation, five members of the city council will be locally elected and accountable for all municipal services. This is customarily considered an increased level of service due to higher representation.
- **Land Use Planning:** While MHCS D has an advisory and administrative role in land use policy in its jurisdiction, land use decisions are ultimately up to the County Planning Commission and Board of Supervisors. In addition to the access to more locally elected officials and appointed members of a city planning commission, there may also be added convenience for attending meetings and filing applications within the community versus going out of the community as they do today. For this reason, we believe incorporation would increase the level of service in land use planning.

### **FORM OF GOVERNMENT**

RSG assumed that the City of Mountain House would incorporate as a General Law City under the State Constitution. General Law cities make up most of the cities in California, and such cities adhere to the State Constitution more closely than charter cities which can more directly dictate how they are governed through their respective charters.

According to the Application for Incorporation, the proposed new City would be governed by the City Council, which would retain a City Manager to be responsible for the day-to-day operations of the City. The proponents' application, based on its amended version from May 11, 2022, mentions that members of the City Council will include one directly elected Mayor and four City Council members elected at-large, for a total of five members on the City Council.

### ***Assumed Municipal Organization***

The proponents' application indicates that the City is proposed as a "contract city," meaning that the City would have limited permanent staff and contract remaining services through public agencies and/or private consultants. Since 1970, nearly 85 percent of cities that incorporated have at least a portion of public services provided by contract rather than permanent employees.<sup>4</sup> One advantage of contract cities is the ability to scale quickly as service demands dictate.

Figure 7 presents the FY 2023-24 organizational chart of MHCS D staff as of March 2023, inclusive of services provided through contracts.<sup>5</sup> For FY 2021-22, MHCS D has a total of 40 authorized positions, of which 31 are presently filled. Incorporation may result in the need to add additional permanent staff as explained in this CFA.

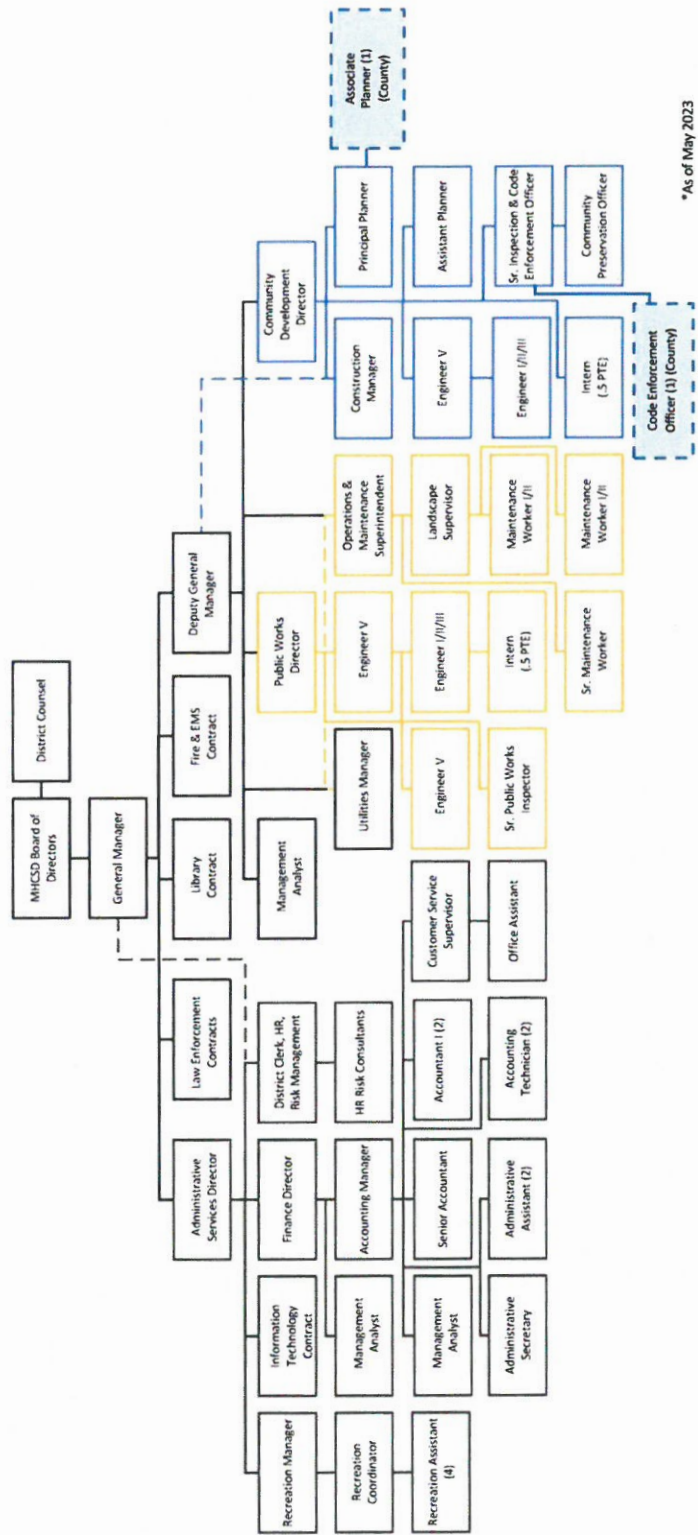
Contract services include law enforcement, library services, fire and emergency services, information technology, animal services, risk management, and legal services.

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<sup>4</sup> California Contract Cities Association

<sup>5</sup> According to the FY 2022-23 Annual Operating Budget and conversations with MHCS D staff.

Figure 7 – Organizational Chart



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RSG assumed 11 full-time staff will be added to the City by FY 2025-26 (the first year after the transition year), nine from filling vacancies and two from additional workload because of incorporation. As of March 2023, the nine vacant positions are existing budgeted positions of the MHCSO including a Deputy General (City) Manager, Management Analyst, Accounting Technician, Engineer II, Principal Planner, Maintenance Worker II, Engineer V, Utility Manager, and a Recreation Coordinator.

Upon incorporation, RSG has assumed that two additional full-time personnel would be needed to meet the City's municipal responsibilities, including an additional Associate Planner and a Code Enforcement Officer, to administer the planning and code enforcement responsibilities, separate and apart from the CC&R enforcement responsibilities which will remain with MHCSO, currently completed by the County's Community Development Department. The City will also need to hire or designate a Building Official pursuant to the California Building Code. For the purposes of this CFA, RSG assumed the existing Construction Manager will acquire the duties of a Building Official upon incorporation.

The two additional personnel from the increased workload will have payroll and benefits established by the City Council if incorporation is successful. The nine vacancies will initially have salaries and benefits set by the MHCSO, unless they are hired after incorporation. For the purposes of this CFA, RSG estimated payroll and benefit costs for these new positions, while also maintaining current payroll and benefits associated with the existing MHCSO staff that are assumed to fully transition over to the new City. All salaries were projected using FY 2021-22 salaries and benefits schedules provided by the MHCSO in response to the RFIs. Each salary projection includes a benefits ratio also based on data provided by the MHCSO. According to this data, the ratio of benefits to salary for MHCSO employees varies by position from 41 percent to 101 percent with an average of 63 percent.

This CFA also analyzed personnel costs from comparable cities and their relation to the City's proposed costs. The average benefits to salary ratio for each of the seven comparable cities previously mentioned was 32 percent. Staffing costs for the City under the Proposed Boundary would therefore be an outlier among comparable cities. However, this was to be expected based on Base Year data provided from the MHCSO. MHCSO staff indicated that benefits were high because some employees took advantage of more expensive insurance plans. A summary of the analysis of various compensation levels and benefit ratios is presented in Figure 8.



| Item Detail and Assumptions                                   | Difference from Average |      | Proposed City Mountain House | Eastvale     | Wildomar  | Menifee   | Lathrop   | Yucca Valley | Oakley    | Yucaipa   |
|---|-------------------------|------|------------------------------|--------------|-----------|-----------|-----------|--------------|-----------|-----------|
| <b>Total Population in 2021<sup>1</sup></b>                   |                         |      | 27,039                       | 69,929       | 36,632    | 106,627   | 31,331    | 21,813       | 44,533    | 54,494    |
| <b>City Employees</b>   |                         |      |                              |              |           |           |           |              |           |           |
| <b>Total Number of Employees in 2021<sup>2</sup></b>          |                         |      | 31                           | 51           | 31        | 322       | 116       | 86           | 127       | 223       |
| <b>Benefits Ratio</b>   | 31%                     |      | 63%                          | 15%          | 82%       | 29%       | 27%       | 28%          | 24%       | 17%       |
| <b>Permanent Employee Salaries &amp; Benefits<sup>3</sup></b> |                         |      |                              |              |           |           |           |              |           |           |
| <b>Management</b>   |                         |      |                              |              |           |           |           |              |           |           |
| City Manager  | (2,524)                 | 50%  | \$320,694                    | \$292,514.00 | \$333,317 | \$396,806 | \$349,484 | \$291,631    | \$241,400 | \$357,375 |
| City Clerk  | 25,054                  | 54%  | \$277,039                    | \$184,521.00 | \$505,171 | \$242,662 | \$225,732 | \$135,899    | \$212,995 | \$256,909 |
| <b>Finance</b>  |                         |      |                              |              |           |           |           |              |           |           |
| Administrative Services Director                              | N/A                     | 52%  | \$314,071                    | N/A          | N/A       | N/A       | N/A       | N/A          | N/A       | N/A       |
| Finance Director  | 103,148                 | 47%  | \$279,455                    | \$172,145.00 | N/A       | \$154,064 | \$273,924 | N/A          | \$221,330 | \$80,070  |
| Management Analyst  | 51,976                  | 55%  | \$158,824                    | \$97,421.00  | N/A       | \$93,638  | N/A       | N/A          | \$129,486 | N/A       |
| Accounting Manager  | 102,190                 | 66%  | \$263,098                    | \$111,502.00 | N/A       | N/A       | \$195,288 | N/A          | \$173,355 | \$163,486 |
| Customer Service Supervisor                                   | N/A                     | 85%  | \$208,455                    | N/A          | N/A       | N/A       | N/A       | N/A          | N/A       | N/A       |
| Senior Accountant   | 158,936                 | 41%  | \$266,580                    | N/A          | N/A       | \$110,248 | N/A       | N/A          | \$124,992 | \$87,690  |
| Accountant I  | 63,345                  | 55%  | \$140,055                    | N/A          | N/A       | N/A       | N/A       | \$76,710     | N/A       | N/A       |
| Accounting Technician I                                       | 39,807                  | 86%  | \$112,340                    | \$41,129.00  | N/A       | \$74,197  | \$102,275 | N/A          | N/A       | \$106,224 |
| Office Assistant I  | 60,775                  | 101% | \$90,105                     | \$25,723.00  | N/A       | N/A       | N/A       | \$15,035     | N/A       | \$47,233  |
| <b>Community Development</b>                                  |                         |      |                              |              |           |           |           |              |           |           |
| Community Development Director                                | 113,515                 | 47%  | \$337,612                    | \$203,874.00 | N/A       | \$270,546 | \$234,692 | \$187,275    | N/A       | N/A       |
| Senior Code Enforcement Officer                               | N/A                     | 67%  | \$195,789                    | N/A          | N/A       | N/A       | N/A       | N/A          | N/A       | N/A       |
| Code Enforcement Officer                                      | 80,723                  | 74%  | \$159,038                    | N/A          | N/A       | \$62,166  | N/A       | N/A          | \$64,262  | \$108,518 |
| Administrative Secretary                                      | 35,546                  | 57%  | \$119,390                    | N/A          | N/A       | \$83,488  | \$97,911  | \$70,133     | N/A       | N/A       |
| Engineer V  | 92,843                  | 50%  | \$243,269                    | N/A          | N/A       | N/A       | N/A       | N/A          | \$150,426 | N/A       |
| Engineer II   | N/A                     | 52%  | \$192,584                    | N/A          | N/A       | N/A       | N/A       | N/A          | N/A       | N/A       |
| Senior Public Works Inspector                                 | 102,903                 | 91%  | \$194,727                    | N/A          | N/A       | \$125,450 | N/A       | \$34,438     | \$115,584 | N/A       |
| Associate Planner   | \$49,682                | 62%  | \$150,884                    | N/A          | \$121,139 | \$81,264  | \$98,119  | \$106,511    | N/A       | N/A       |
| <b>Public Works</b>   |                         |      |                              |              |           |           |           |              |           |           |
| Public Works Director   | 2,773                   | 44%  | \$206,905                    | N/A          | N/A       | \$177,800 | \$247,163 | \$187,275    | \$264,316 | \$144,107 |
| Operations and Maintenance Superintendent                     | (9,274)                 | 61%  | \$136,676                    | N/A          | N/A       | N/A       | \$174,534 | \$117,365    | N/A       | N/A       |
| Maintenance Worker II   | (30,626)                | 87%  | \$57,879                     | N/A          | N/A       | \$87,054  | \$100,466 | \$82,531     | N/A       | \$83,967  |
| Senior Maintenance Worker                                     | (7,271)                 | 73%  | \$85,106                     | N/A          | N/A       | \$94,638  | N/A       | N/A          | N/A       | \$90,116  |
| Engineer V  | (19,666)                | 50%  | \$162,107                    | N/A          | N/A       | \$167,172 | \$186,170 | N/A          | N/A       | \$191,977 |
| Landscape Supervisor  | (6,105)                 | 70%  | \$112,984                    | N/A          | N/A       | N/A       | N/A       | \$102,513    | \$135,664 | N/A       |
| Construction Manager  | N/A                     | 59%  | \$162,107                    | N/A          | N/A       | N/A       | N/A       | N/A          | N/A       | N/A       |
| Administrative Assistant                                      | 12,183                  | 66%  | \$89,378                     | N/A          | \$67,093  | \$83,488  | \$69,418  | \$50,488     | \$109,712 | \$82,974  |
| Utility Manager   | 9,855                   | 66%  | \$139,371                    | N/A          | N/A       | N/A       | \$129,516 | N/A          | N/A       | N/A       |
| <b>Recreation</b>   |                         |      |                              |              |           |           |           |              |           |           |
| Recreation Manager  | 66,688                  | 57%  | \$193,974                    | N/A          | N/A       | N/A       | \$127,286 | N/A          | N/A       | N/A       |
| <b>Other Compensation<sup>3</sup></b>                         |                         |      |                              |              |           |           |           |              |           |           |
| City Council Stipend Per Member                               | 0                       |      | \$12,436                     | \$12,693     | \$20,233  | \$20,384  | \$3,600   | \$16,814     | \$5,270   | \$8,060   |
| Contract Attorney   | 110,542                 |      | \$383,017                    | \$390,000    | \$104,400 | N/A       | \$323,026 | N/A          | N/A       | N/A       |

Note: Only directly employed personnel are included. "N/A" indicates that a position is either contracted, not explicitly provided, or covered via a stipend as opposed to a salary.

<sup>1</sup> Department of Finance

<sup>2</sup> California State Controller's Government Compensation in California Website

<sup>3</sup> City Salary Schedules and Budgets for 2021-22 and California State Controller's Government Compensation in California Website

Figure 8 – Payroll Cost Comparison

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### ***Proposed Subsidiary District***

The incorporation proposal requests that LAFCO divest MHCS D of all of its statutorily authorized powers under the Community Services District Law, Government Code Sections 61000-61250, with the exception of the power to enforce CC&Rs, and requests that the single power MHCS D be established as a subsidiary district of the New City.<sup>6</sup> Under state law and as confirmed by LAFCO Special Counsel, cities are not authorized to enforce CC&Rs.

Accordingly, in consultation with LAFCO Special Counsel and the proponents, LAFCO has directed RSG to assume that the MHCS D would become a subsidiary district of the new City solely for the purpose of enforcement of CC&Rs within the new City.

To fund these costs, RSG has assumed that a portion of the property taxes currently collected by the Subsidiary District would be retained to the extent needed for funding the cost of CC&R enforcement. This CFA estimates the amount of property taxes necessary for the Subsidiary District.

### ***Peer Cities Analysis***

Pursuant to Government Code Section 56800(a)(1), a CFA should compare the estimated costs to provide services in the proposed city with the costs of cities with similar population, similar geographic size, and similar level and range of services. The term “peer cities” may carry different meanings depending on the context. For example, cities may be demographically similar, located in the same region or market and/or share common economic conditions.

For the purposes of this CFA, RSG had to consider several factors including land use, demographics, market, size, and most importantly city budget to identify cities for which we could compare the results of our analysis of the Proposed Boundary. In this case, a CFA peer city means:

1. a city in California that is relatively new since older cities tend to have much higher shares of property taxes that skew the usefulness of the city budget,
2. a city of population relatively like the Proposed Boundary,
3. a community located in a suburban area,
4. a general law (and not charter) city,
5. a city that relies at least somewhat on contract providers for municipal services,
6. and has a similar land use profile (both in terms of the types of uses but the population growth trends in recent years), and
7. Has a similar budget, at least on a per capita basis, and plan for services.

Initially, RSG reviewed the budgets and service models for 23 cities with the closest population and population growth rates to the new City, but none of them are “similar” by a strict interpretation of Section 56800(a)(1). In most cases, these cities were significantly older, differed in the size of their annual budget, or had varying population growth rates and sizes. For this reason, RSG had to expand the size of cities to find cities that are otherwise better comparisons to Mountain House, with the goal of adjusting for situations where populations were materially different (such as using costs per capita versus total costs).

Ultimately, RSG selected seven cities throughout the State that we believe would be most similar to the proposed City of Mountain House. As shown on Figure 9, the seven peer cities include Eastvale, Menifee, and Wildomar, recently incorporated and relatively fast growing cities in suburban Riverside County, as well as Lathrop, which like Mountain House is located in San Joaquin County and has a

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<sup>6</sup> Per the MHCS D May 11, 2022 Amended Application for Incorporation

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similar population to Mountain House, plus three other cities, Yucca Valley, Oakley, and Yucaipa, which had relatively similar population sizes, population growth rates, and annual operating budgets to the new City.



| City                               | Mountain House  | Eastvale         | Wildomar        | Menifee          | Lathrop         | Yucca Valley    | Oakley          | Yucaipa         |
|------------------------------------|-----------------|------------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|
| County                             | San Joaquin     | Riverside        | Riverside       | Riverside        | San Joaquin     | San Bernardino  | Contra Costa    | San Bernardino  |
| Fiscal Year Reviewed               | 2025-26         | 2021-22          | 2021-22         | 2021-22          | 2021-22         | 2021-22         | 2021-22         | 2021-22         |
| <b>Demographic Data</b>            |                 |                  |                 |                  |                 |                 |                 |                 |
| Population                         | 32,451          | 69,929           | 36,632          | 106,627          | 31,331          | 21,813          | 44,533          | 54,494          |
| <b>Service Data</b>                |                 |                  |                 |                  |                 |                 |                 |                 |
| Class                              | General Law     | General Law      | General Law     | General Law      | General Law     | General Law     | General Law     | General Law     |
| Employees                          | 31              | 51               | 31              | 322              | 116             | 86              | 127             | 223             |
| Service Area (Sq. Miles)           | 6.95            | 13.12            | 23.69           | 46.47            | 21.93           | 40.02           | 15.85           | 27.89           |
| Year Incorporated                  | 2023            | 2010             | 2008            | 2008             | 1989            | 1991            | 1999            | 1989            |
| <b>Fiscal Data</b>                 |                 |                  |                 |                  |                 |                 |                 |                 |
| Assessed Value                     | \$5,087,400,000 | \$11,367,479,540 | \$3,914,676,493 | \$12,199,752,253 | \$5,085,525,381 | \$1,996,105,782 | \$5,398,682,304 | \$5,089,900,079 |
| Sales Tax Rate <sup>1</sup>        | 7.75%           | 7.75%            | 8.75%           | 8.75%            | 8.75%           | 8.75%           | 8.75%           | 7.75%           |
| Property Taxes                     | 9,528,100       | 3,154,800        | 7,061,390       | 17,391,094       | 4,860,000       | 4,602,315       | 7,640,000       | 12,797,932      |
| Sales Taxes                        | 611,400         | 52,000,000       | 2,010,146       | 9,425,000        | 4,750,000       | 4,250,000       | 2,000,000       | 5,170,214       |
| Property Transfer Taxes            | 700             | 290,000          | 165,446         | 900,000          | -               | 171,215         | 250,000         | 186,819         |
| Community Development Fees         | 36,300          | 352,600          | 894,514         | 3,639,715        | 742,529         | 106,191         | 3,100,000       | 503,045         |
| Investment Earnings                | 25,300          | 350,000          | 96,849          | 952,318          | 200,000         | 80,000          | 700,000         | 553,932         |
| Total Annual Revenues              | \$15,501,151    | \$27,722,060     | \$15,222,500    | \$74,661,280     | \$22,634,881    | \$15,132,782    | \$24,911,110    | \$31,053,445    |
| Total Annual Expenditures          | \$0             | \$29,655,494     | \$15,620,100    | \$74,835,100     | \$26,772,978    | \$14,547,527    | \$27,953,559    | \$29,823,916    |
| <b>Services Provided</b>           |                 |                  |                 |                  |                 |                 |                 |                 |
| General Government <sup>2</sup>    | 1,571,381       | 9,298,355        | 2,192,110       | 7,993,313        | 8,153,563       | 2,139,961       | 2,591,362       | 2,521,464       |
| Public Safety <sup>3</sup>         | 4,739,039       | 19,521,772       | 9,365,095       | 26,028,557       | 9,835,206       | 5,164,539       | 11,705,674      | 16,051,158      |
| Community Development <sup>4</sup> | 6,178,524       | 6,302,117        | 2,760,824       | 10,653,559       | 5,415,300       | 1,536,711       | 2,410,048       | 3,471,264       |
| Culture and Leisure <sup>5</sup>   | -               | 694,120          | 683,551         | 1,577,838        | 1,797,182       | 1,766,170       | 3,390,750       | 2,103,607       |
| Utilities <sup>6</sup>             | -               | 61,100           | -               | -                | -               | -               | -               | 668,300         |
| Misc <sup>7</sup>                  | 12,100          | -                | -               | -                | -               | -               | -               | -               |

Figure 9 – Peer Cities Analysis

<sup>1</sup> Includes the sales tax rate determined by the California Tax and Fee Administration for each city. The Mountain House sales tax rate reflects the County rate which Mountain House will assume post incorporation.

<sup>2</sup> Includes legislative, management and support services.

<sup>3</sup> Includes police, fire, emergency medical services, animal regulation, weed abatement, street lighting, disaster preparedness, and all other public safety services.

<sup>4</sup> Includes planning, construction and engineering regulations, redevelopment, housing, employment, community promotion, and other community development services.

<sup>5</sup> Includes parks and recreation, marinas and wharfs, libraries, museums, golf courses, sports arenas and stadiums, community centers and auditoriums and other public amenities.

<sup>6</sup> Includes water, gas, electric and other public utility services.

<sup>7</sup> Includes non-departmental expenditures, contingency, and transition year loan.

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## GROWTH AND DEVELOPMENT

### MOUNTAIN HOUSE MASTER PLAN

The County adopted the Mountain House Master Plan in 1993 and amended it most recently in 2022 as an amendment to the San Joaquin County General Plan. The original Master Plan contained three separate village centers to provide weekly shopping and other services, twelve residential neighborhoods, trails and parks, and a town center in the center of the project site to include a community serving shopping center, high density residential, commercial, and a civic center. The Master builder, Trimark Communities, anticipated the Master Plan to develop over a twenty- to forty-year period. The Master Plan sets forth the policies, requirements, and standards for development of all the required infrastructure of the community of Mountain House, as well as any resource management programs.<sup>7</sup>

### MOUNTAIN HOUSE SPECIFIC PLANS I, II AND III

In addition to the Master Plan, there are three specific plans that guide land use policy within the Mountain House area. The County adopted the Mountain House Specific Plan I on November 10, 1994 and amended it most recently on April 11, 2022. It covers:

- Central Mountain House
- Mountain House Business Park
- Old River Industrial Park

The County adopted the Mountain House Specific Plan II on February 8, 2005, and amended it most recently on April 11, 2022. The Specific Plan encompasses approximately 2,300 acres and includes seven of the twelve planned neighborhoods. As the primary developer, Trimark planned the following:

- Town Center
- Commercial areas
- Parks, schools, open space

The County adopted the Mountain House Specific Plan III, also known as College Park at Mountain House, in 2005, and amended it in 2022. According to the Environmental Impact Report ("EIR"), the Specific Plan includes:<sup>8</sup>

- Delta Community College and surrounding development
- 2,240 residential units
- 1.8 million square feet of commercial, office, and industrial uses
- 42 acres of parks
- Two K-8 schools
- 34 acres of open space

RSG consulted with MHCSD staff to develop an absorption forecast for the development because not all potential projects are expected to occur within the timeframe covered by this CFA. Additional

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<sup>7</sup> Mountain House Master Plan and Specific Plan I EIR, September 1994. Baseline Environmental Consulting.

<sup>8</sup> State Clearing House (SCH) #2003102074

refinements were made based upon permitting reports from the County, a site visit to MHCS D in May 2022, and historical construction trends in the community.

## LAND USE

The Proposed Boundary is made up of predominantly residential uses, as demonstrated in Figure 10. The area continues to grow with industrial, commercial, and other uses, but at build out, it will remain chiefly residential.

**Figure 10 – Land Use by Assessed Valuation**

| Land Use Category    | Proposed Boundary    |                |
|----------------------|----------------------|----------------|
|                      | Assessed Value       | Percentage     |
| <b>Residential</b>   | <b>4,453,202,927</b> | <b>97.14%</b>  |
| Single Family        | 4,238,226,741        | 92.43%         |
| Multifamily          | 13,910,472           | 0.30%          |
| Other                | 201,065,714          | 4.41%          |
| <b>Commercial</b>    | <b>28,462,497</b>    | <b>0.62%</b>   |
| Retail               | -                    | 0.00%          |
| Office               | 4,000,000            | 0.09%          |
| Other                | 24,462,497           | 0.53%          |
| <b>Industrial</b>    | <b>50,128,566</b>    | <b>1.09%</b>   |
| <b>Institutional</b> | <b>2,442,522</b>     | <b>0.05%</b>   |
| <b>Agriculture</b>   | <b>8,410,495</b>     | <b>0.16%</b>   |
| <b>Government</b>    | <b>-</b>             | <b>0.00%</b>   |
| <b>Vacant</b>        | <b>36,643,564</b>    | <b>0.80%</b>   |
| <b>Unsecured</b>     | <b>5,035,293</b>     | <b>0.11%</b>   |
| <b>TOTAL</b>         | <b>4,585,246,344</b> | <b>100.00%</b> |

<sup>1</sup> Other residential land use includes a large amount of zoned but undeveloped properties including those owned by Shea Mountain House LLC.

Source: San Joaquin County Assessor's Office, 2022-23 assessment roll, net of all other exemptions except homeowners exemption.

## CFA DEVELOPMENT FORECAST

The Proposed Boundary has seen a tremendous amount of growth resulting in a near tripling of the population from 2010 to 2022. However, as the amount of available land decreases, the development growth forecasted in this CFA will be more conservative.

MHCS D provided data on building permits, projects in the pipeline, and the planned development of neighborhoods. They also supplied projections of residential, commercial, and industrial construction through 2034. To better assess the region and the pace of construction, RSG conducted an in-person field survey in May of 2022 to gain insight on the community and refined the development estimates as a result. This CFA projects the development of approximately 5,800 residential units in the forecast period. The CFA also includes approximately 250,500 square feet of storefront space and 778,000 square feet of warehouse and other industrial space.

Initially, it is reasonable to expect that some projects that have not yet been entitled may take some time to receive entitlements (typically 9-18 months), prepare grading plans, construction drawings and receive permits (6-12 months), and be constructed (18-24 months). Additionally, development of

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these projects is anticipated to occur in phases, likely based on demand and the desires of the respective developers, which RSG has noted are not yet known in detail. Figure 11 summarizes the development forecast. Development figures affected several critical figures in the CFA, including population, property taxes, sales taxes, other revenues, and expenditures.

**Figure 11 – Growth Forecast**

| Comparison of RSG Forecast to MHCSD Forecast | MHCSD Forecast |                |                | RSG Assumption <sup>1</sup> |                |                |
|--|----------------|----------------|----------------|-----------------------------|----------------|----------------|
|  | 2 Yrs          | 5 Yrs          | 10 Yrs         | 2 Yrs                       | 5 Yrs          | 10 Yrs         |
| <b>Residential Units</b>                     | <b>1,657</b>   | <b>3,993</b>   | <b>7,208</b>   | <b>1,476</b>                | <b>3,504</b>   | <b>5,755</b>   |
| Residential Rural (RR)                       | -              | -              | -              | -                           | -              | -              |
| Residential Very Low Density (R-VL)          | -              | -              | 10             | -                           | -              | 8              |
| Residential Low Density (RL)                 | 340            | 1,182          | 2,826          | 303                         | 1,037          | 2,257          |
| Residential Medium Density (RM)              | 212            | 835            | 1,561          | 189                         | 733            | 1,246          |
| Residential Medium High Density (R-MH)       | 287            | 1,158          | 1,813          | 256                         | 1,016          | 1,448          |
| Residential High Density (RH)                | 818            | 818            | 998            | 729                         | 718            | 797            |
| <b>Commercial SF</b>                         | <b>35,000</b>  | <b>150,500</b> | <b>275,500</b> | <b>35,000</b>               | <b>150,500</b> | <b>250,500</b> |
| Community Commercial (CC)                    | 20,000         | 40,000         | 40,000         | 20,000                      | 40,000         | 36,370         |
| General Commercial (CG)                      | 15,000         | 50,000         | 50,000         | 15,000                      | 50,000         | 45,463         |
| Freeway Service Commercial (C-FS)            | -              | 60,500         | 160,500        | -                           | 60,500         | 145,936        |
| Office Commercial (CO)                       | -              | -              | 25,000         | -                           | -              | 22,731         |
| <b>Industrial SF</b>                         | <b>278,518</b> | <b>778,518</b> | <b>778,518</b> | <b>161,025</b>              | <b>662,525</b> | <b>778,518</b> |
| Limited Industrial (IL)                      | 25,518         | 275,518        | 275,518        | 14,753                      | 234,468        | 275,518        |
| General Industrial (IG)                      | 253,000        | 503,000        | 503,000        | 146,272                     | 428,057        | 503,000        |

<sup>1</sup> RSG's development forecast used in this CFA is based on totals. This table reflects zoning subdivisions of those totals based on equivalent proportions in the MHCSD Forecast. Exact measurements of each zoning category were not used in this CFA.

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### **Population Forecasting**

At the core of the analysis in this CFA is the population size of the City. Most revenue and expenditure forecasts are based on population growth. To develop a current population estimate, RSG utilized GIS to match the boundaries of the proposed incorporation area to data from the US Census, County Tax Roll, and ESRI Business Analyst. Utilizing Census and ESRI data between 2010 and 2022, RSG developed an average historical annual population growth rate of 14.95 percent, a 280 percent increase from the 2010 population of 9,675 to RSG's 2021-22 estimate of 27,032. Figure 12 summarizes the population forecast.

The forecast also includes a base assumption that the existing population would grow regardless of development. This growth would be the result of new births, home sales to larger families, and home sales of vacant properties. RSG utilized an annual growth rate for this existing population of 1.4 percent for the duration of the forecast.<sup>9</sup>

The full population forecast includes an adjustment for new construction based on the projected development forecast in Figure 11. This supports a realistic projection that accounts for the difference in land availability between the prior decade and the current availability of land, and the pace at which new developments are populated. Inclusive of the existing population growth and new development, RSG is projecting the City's total population growth at 6.18 percent.<sup>10</sup> As the City approaches the estimated buildout, population growth will slow. All scenarios met or went beyond the estimated buildout population of 44,000 but did not exceed the estimated buildout housing unit total of 15,700.<sup>11</sup>

In 2021-22, the Proposed Boundary contained approximately 1,000 employees in the workforce.<sup>12</sup> Employment figures increase with the development of commercial and industrial space. RSG developed an employee forecast using square feet per employee estimates from the San Joaquin County Community Development Department. Figure 13 shows the projected employee population in the City, with a FY 2033-34 employee population of 1,856.

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<sup>9</sup> The annual growth rate of 1.4 percent was derived from ESRI's projections through to 2027.

<sup>10</sup> The CFA also models alternative scenarios, including the LAFCO Alternative Boundary and two low growth sensitivity analyses, which produced similar annual growth rates, with none lower than 5 percent.

<sup>11</sup> Berkson Feasibility Study, Mountain House Finance Authority - Utility Systems Revenue Bonds, 12/12/2019, Page 20

<sup>12</sup> ESRI Business Analyst



**POPULATION FORECAST  
PROPOSED BOUNDARY**

| Population Projections                              | 12 Month Period Beginning |        |                      |        |        |        |        |        |        |        |        |        |
|---|---------------------------|--------|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|   | 7/1/22                    | 7/1/23 | Transition<br>7/1/24 | 7/1/25 | 7/1/26 | 7/1/27 | 7/1/28 | 7/1/29 | 7/1/30 | 7/1/31 | 7/1/32 | 7/1/33 |
| After New Development is Factored In                | 27,032                    | 28,486 | 30,209               | 32,451 | 35,136 | 37,568 | 39,375 | 41,183 | 42,820 | 44,434 | 45,812 | 47,064 |
| Registered Voters                                   | 11,768                    | 12,495 | 13,266               | 14,086 | 14,955 | 15,879 | 16,860 | 17,901 | 19,006 | 20,180 | 21,426 | 22,749 |
| 2010 Population <sup>1</sup>                        | 9,675                     |        |                      |        |        |        |        |        |        |        |        |        |
| 2021-22 Population Projection <sup>2</sup>          | 27,032                    |        |                      |        |        |        |        |        |        |        |        |        |
| Annual Growth Rate 2010-22 <sup>1&amp;2</sup>       | 14.95%                    |        |                      |        |        |        |        |        |        |        |        |        |
| Annual Growth Rate 2022-27 <sup>3</sup>             | 1.40%                     |        |                      |        |        |        |        |        |        |        |        |        |
| Average Household Size <sup>3</sup>                 | 3.66                      |        |                      |        |        |        |        |        |        |        |        |        |
| Registered Voters <sup>4</sup>                      | 11,768                    |        |                      |        |        |        |        |        |        |        |        |        |
| Vacancy Rate <sup>2</sup>                           | 7.18%                     |        |                      |        |        |        |        |        |        |        |        |        |
| <u>CFA Annual Growth Rate 2022-2033<sup>5</sup></u> | <u>6.18%</u>              |        |                      |        |        |        |        |        |        |        |        |        |

<sup>1</sup> 2010 US Census

<sup>2</sup> RSG Estimate based on ESRI 2022 data & San Joaquin 2022-23 Equalized Assessment Roll

<sup>3</sup> ESRI Business Analyst estimate used for existing population

<sup>4</sup> San Joaquin County Registrar of Voters

<sup>5</sup> Growth Rate accounting for New Development + Growth from Existing Population

Figure 12 – Population Forecast



**EMPLOYEE GROWTH  
PROPOSED BOUNDARY**

| Item Detail and Assumptions           | 7/1/22       | Transition   |              | 12 Month Period Beginning |              |              |              |              |              |              |              |              |
|---------------------------------------|--------------|--------------|--------------|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                       |              | 7/1/24       | 7/1/25       | 7/1/26                    | 7/1/27       | 7/1/28       | 7/1/29       | 7/1/30       | 7/1/31       | 7/1/32       | 7/1/33       |              |
| Existing Employees <sup>1</sup>       | 1,000        |              |              |                           |              |              |              |              |              |              |              |              |
| Commercial SF Added                   | -            | 10,000       | 25,000       | 10,000                    | 10,000       | 95,500       | -            | 100,000      | -            | -            | -            | -            |
| Square Feet per Employee <sup>2</sup> | 480          |              |              |                           |              |              |              |              |              |              |              |              |
| Industrial SF Added                   | 25,518       | -            | 63,250       | -                         | 62,500       | 62,500       | -            | -            | -            | -            | -            | -            |
| Square Feet per Employee <sup>2</sup> | 639          |              |              |                           |              |              |              |              |              |              |              |              |
| <b>Total Employees</b>                | <b>1,040</b> | <b>1,061</b> | <b>1,212</b> | <b>1,233</b>              | <b>1,351</b> | <b>1,648</b> | <b>1,648</b> | <b>1,856</b> | <b>1,856</b> | <b>1,856</b> | <b>1,856</b> | <b>1,856</b> |

<sup>1</sup> ESRI Business Analyst Estimate

<sup>2</sup> San Joaquin County & Hansford Consulting Estimate

**Figure 13 – Employee Projections**



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## BUDGET PROJECTIONS

Using financial data gathered from agencies that provided services during the prior fiscal year, the base year costs and revenues, and the property tax transfer, a CFA must include budget projections for the proposed city. Budget projections must include:

- The costs and revenues to the proposed City to provide services during at least the three fiscal years following incorporation.
- The effects of the costs and revenues on any affected local agency during the three fiscal years following incorporation.
- Other information needed to make the findings as needed for an incorporation proposal.

The law requires budget projections for only the first three years after incorporation, however, this CFA uses a longer forecast of ten years. A ten-year projection allows for a more accurate estimate of a new city's long-term financial feasibility.

The budget projections reflect a reasonable cost of living increase and inflationary factors. Any analysis inclusive of long-term projections must carefully consider the factors that go into the rate of increase for both revenues and expenditures. Recent trends, such as the historically high rate of inflation, the COVID-19 Pandemic, and the high cost of single-family housing must be considered. At the same time these trends reflect unique circumstances that over a longer period of time may fade in importance. The exceptionally high inflation rates in 2022, as an example, are an anomaly not seen since 1990.<sup>13</sup> For this reason, RSG utilized an inflation factor that averages the annual change in the Consumer Price index ("CPI") from December 2013 to December 2022 producing a rate of 2.6 percent. This period of 10 years provides a more stable rate that weighs recent trends against those of preceding years.

## PROJECTED REVENUES

RSG conducted this CFA on a cash basis. As discussed in the OPR Guidelines, new cities must operate on a cash basis because typically, new cities have no initial fund balances on which to depend for cash flow. However, because the incorporation of the City of Mountain House is the reorganization of an established community services district, the City will have fund balances upon incorporation. The cash basis approach provides a more realistic picture of both the year-end surpluses and deficits, which can be experienced by a new city.

City revenues come from a variety of sources. Some of the City's revenue would be designated as General Fund revenue, which would be used to provide municipal services such as general government, law enforcement, planning and land use, building inspection, animal control, wildfire protection, and parks. General Fund revenues typically come from property taxes, sales taxes, state subventions, and fees for services.

Other revenues are restricted for specific purposes such as state subventions like gas tax revenues. These revenues generally do not go in the General Fund. MHCS D also receives Special Tax revenues from four separate parcel taxes. The taxes are restricted to four uses, inclusive of related administrative costs: Roads, Public Safety, Parks, and Public Works.

This CFA generally does not project revenues from impact and facilities fees, either from the existing MHCS D or fees that may be transferred from the County. RSG assumed that said fees would continue to be restricted to specific impact and facilities funds, which would not be available to spend on most

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<sup>13</sup> December 2022 12 month percent change in CPI was 6.5 percent, 1990 was 6.1 percent  
<https://data.bls.gov/pdq/SurveyOutputServlet>

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General Fund activities, and thus could not affect feasibility. Water and wastewater fund levies currently assessed by MHCS D are also excluded from this CFA. The exception to this is the Affordable Housing Fund projections located in Appendix 4. These were included in the CFA because of the change in responsibility that results from incorporation, but they do not factor into feasibility. The Affordable Housing Fund for Mountain House is currently a County fund but upon incorporation it will transfer to the City.

The following section describes the revenues that will directly impact the City's feasibility and also discusses the methodology used to forecast these revenues. There may be differences between the forecasts and actual results because events and circumstances may not occur as expected, and those differences may be material. In addition, outside forces such as the State Budget and the national economy can have a large effect on potential revenues. The State of California's budget process is unpredictable and has imposed tremendous changes in the last twenty years at the local government level, such as the loss of Motor Vehicle License Fees or redevelopment dissolution. It is impossible to predict what the next ten years may bring. The COVID-19 Pandemic and related inflationary pressures have also presented difficulties for any city. Local jurisdictions are often unprepared for normal fluctuations in the economy, let alone another pandemic or related recession.

### **NEW TAXES AND FEES**

This CFA assumes that the City will not impose new taxes, and initially, that the existing taxes, fees, and franchise agreements maintained by MHCS D will be adopted by the City Council upon incorporation. However, in the future, the City would have the discretion of adopting taxes and/or fees and entering into new franchise agreements which may later alter the amount of revenues available to the new City. Additionally, future voters may choose to approve new taxes, though adoption of new taxes would likely be subject to Proposition 218.

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## GENERAL FUND REVENUES

The City's General Fund will distribute funding for most municipal operational services, including general government, community development, animal control, fire protection, parks and recreation, and law enforcement. General Fund monies will also be available for use in the event negotiations with the County produce revenue neutrality payments. The funding sources for the City consist of the following:

- Shares of local taxes (property, sales, in-lieu sales, and property transfer taxes)
- Fees for services (franchises, community development, public works/engineering, and animal license)
- Fines and forfeitures
- Interest earnings

Over the term of the CFA, estimated General Fund revenues range from \$13.9 million in FY 2024-25 to \$22.9 million in FY 2033-34, exclusive of Special Tax fund revenues. The methodologies for calculating revenues are described by each tax or fee levy below.

### **Property Taxes**

Under the Plan for Services, the new City would be eligible to receive property taxes from three agencies:

- MHCS D share, with the majority of the property taxes going into the City General Fund except for the portion of these taxes needed to cover the operations of the proposed Subsidiary District,
- County share, based on the net cost of services the County provides within the Proposed Boundary multiplied by the Auditor's Ratio, and
- Tracy Rural share, based on the net cost of services Tracy Rural provides within the Proposed Boundary.

Section 56810 of the Government Code provides a specific formula for the determination of the portion of the property tax share from other agencies allocated to a new city. The formula derives the share of the general levy by calculating the net cost of services transferred to the City as a percent of the expected property tax revenue. The net costs include both direct costs and overhead or indirect costs, net of revenues received by any affected taxing entities.

The components of the property tax transfer are described below:

**MHCS D Share of Property Taxes:** Based on RSG's analysis of the share of the basic 1 percent property tax levy in 2021-22, MHCS D currently receives approximately 15.95 percent of the general property tax levy. If incorporated, these taxes would be transferred to the new City. Because not all MHCS D services would transfer to the new city (the exception being enforcement of CC&Rs), these taxes would be divided between the City General Fund and the Subsidiary District.

While normally Government Code Section 56810(c) would dictate how the property taxes would be exchanged between the existing MHCS D and the new city, there is a particular challenge with the application of Section 56810(c) in this case because the resulting property tax exchange itself would not leave sufficient funds with MHCS D (as a Subsidiary District) to perform its remaining services. MHCS D receives general fund revenues from a variety of sources including but not limited to property taxes. Applying the methodology under Government Code 56810(c) would not result in sufficient property taxes to fund the Subsidiary

District's services. Moreover, a city is statutorily prohibited to fund enforcement of CC&Rs, so the City would not be permitted to transfer other funds after incorporation to the Subsidiary District. In this situation, the Commission may in its terms and conditions of approval direct the County Auditor Controller to perform the property tax exchange differently to avoid underfunding the Subsidiary District.

In consultation with the Proponents and LAFCO, RSG has presumed that the Commission would prefer to fully fund Subsidiary District operations by adjusting the property tax exchange between MHCS D and the new city such that enough property taxes would remain with the Subsidiary District to fund CC&R enforcement. The results of the modified property tax exchange as proposed is described below:

- 1.01 percent to the Subsidiary District: Under the Plan for Services, virtually all of MHCS D's responsibilities would shift to the City, with the sole exception of enforcement of CC&Rs which cannot be enforced by a city. The MHCS D would be established as a Subsidiary District of the new City for the exclusive purpose of enforcement of CC&Rs. To fund enforcement activities, RSG estimates the Subsidiary District would need to collect approximately \$408,400 in property taxes, which translates to 1.01 percent of the 15.95 percent share collected by MHCS D today.

The terms and conditions for incorporation to be considered by LAFCO when it acts on the incorporation application would direct the County Auditor Controller to remit each year this 1.01 percent share of the basic tax levy to the newly established Subsidiary District.

See page 87 for more information on the nature and cost of services for CC&R enforcement estimated by RSG.

- 14.94 percent to the City General Fund: the remainder of the current MHCS D share would be remitted by the County Auditor Controller to the new City's General Fund for general municipal services. The terms and conditions for incorporation would direct the County Auditor Controller to remit 14.94 percent of the MHCS D share to the new City General Fund.

| <b>MHCS D Property Tax Transfer to City – Base Year 2021-22</b> |             |  |
|---|-------------|--|
| City Fund   | Amount      | Notes                                  |
| Subsidiary District   | \$408,400   | Net Cost of Services, See Pg 87        |
| General Fund  | \$6,897,037 | Total MHCS D, Less Subsidiary District |

**County General Fund Share of Property Taxes:** Pursuant to Section 56810 of the CKH Act, the County's net cost of services relates to the following services performed by the County in the Proposed Boundary, including costs in three departments, net of fees and charges, resulting in a **net cost of services transferred from the County to the new City of \$2,671,934**. The methodology for computing the 2021-22 net cost of services transferred from the County are described below:

- Sheriff Department (Base Level) Costs (+\$2,245,164): The largest cost transferred to the new City will be from the Sheriff's Department, including Animal Control (+\$74,876). Currently, MHCS D contracts with the Sheriff for supplemental policing service, which upon incorporation would be funded by property taxes transferred from MHCS D to the new City General Fund.

The County is currently responsible for (base level) law enforcement services like they do throughout the unincorporated County. This base level of law enforcement funded by the

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County General Fund is part of the analysis for the net cost of services in the property tax transfer to the new City.

Actual costs in 2021-22 for the Sheriff base level law enforcement services in the Proposed Boundary were determined using calls for service percentages provided in response to the RFI's sent to the Sheriff. It is important to note the Sheriff did not provide a direct or exact number of the base policing costs. RSG calculated this number by netting out all non-Mountain House related Sheriff costs using the County's 2021-22 Budget Actuals. More is discussed on this in the Law Enforcement section of this CFA beginning on page 77.

- Community Development Costs (+\$1,479,580): The County Community Development Department provides planning and building and safety services to the Proposed Boundary that would become the responsibility of the new City after incorporation.

Because not all of the County's actual costs for providing these services specifically to the Proposed Boundary were available, RSG developed an estimate of these costs using a combination of actual and estimated costs. Actual costs include the County's contract with the consulting firm JB Anderson which provided the County planning services specifically for the Proposed Boundary. The County spent \$200,000 in 2021-22 on the cost for this third-party consultant.

#### Methodology for Estimating Other Community Development Costs

Because the Community Development Department could not isolate costs for other planning and building and safety costs to the Proposed Boundary, RSG estimated these costs based on actual fees for these services collected for projects within the Proposed Boundary during the base year, and the corresponding cost recovery ratio for these activities. The cost recovery ratio is the ratio of costs funded by fees and charges for services. For example, if the County charges \$25 for a service that costs \$100, the cost recovery ratio is 25 percent.

Normally the cost recovery ratio is a function of the type of service provided, the frequency in which that service is subject to a fee or charge, and the amount of the fee or charge. For instance, the Community Development Department might not charge someone for answering questions at the Planning counter, but they always charge for building permits and inspections. Because costs change over time but fees are not always indexed to actual costs, cost recovery ratios can be gradually lower over time unless the fees and charges for services are updated, typically as a result of a fee study and subsequent action by the legislative body to set the fees or charges to get closer to full cost recovery or whatever level the legislative body accepts.

During the 2021-22 base year, the County Board of Supervisors did adopt a new fee schedule that increased Community Development Department fees. This new fee schedule went into effect on January 31, 2022, meaning that fees from July 1, 2021 through January 30, 2022 were based on the older (and lower) fee schedule, while fees collected thereafter were based on the current (and higher) fee schedule. Fortunately, the Community Development Department was able to provide RSG actual fees collected for the Proposed Boundary for the portion of the 2021-22 base year before and after the new fee schedule went into effect.

Using these actual fees, RSG then calculated the corresponding costs for services based on the cost recovery ratios for planning and building and safety activities of the Community Development Department. The ratios for both before and after the fee increase were retrieved from the County's 2021 Fee Study and the adopted resolution and corresponding agenda items for the new fee schedule.

Based on this methodology for estimating actual costs of planning and building and safety services in 2021-22, RSG derived the following estimated costs of services for the Community Development Department in 2021-22:

- Planning Costs (+\$43,291): Consists of various planning services performed by the County CDD.
- Building and Inspection Costs (+\$1,236,288): Includes building inspections and permitting.
- Public Works Department Costs (+\$151,284): RSG obtained estimates for Public Works Department services in the Proposed Boundary for 2021-22 using the same methodology as described in the Community Development Department section above.
- Fees and Charges for Services (-\$1,204,092): The County provided actual fees and charges for services for the Community Development Department and the Public Works Department. Sheriff Department revenues were calculated by multiplying the Mountain House share of calls for service by the total law enforcement fees levied in the County. Fees and charges for services consist of the following components:<sup>14</sup>
  - Sheriff's Department Fees (-\$27,234)
  - Community Development Department Fees (-\$1,039,344)
  - Public Works Department Fees (-\$137,514)
- Property Tax Transfer from County: Pursuant to Government Code Section 56810, the total net cost of providing services is then multiplied by a factor known as the Auditor's Ratio<sup>15</sup>. The Auditor's Ratio is the ratio reported by the County Auditor Controller of general property taxes received during the base year to all revenues received by the County for general purposes during that same fiscal year. On May 16, 2023, the County Auditor Controller provided a report on the 2021-22 Auditor's Ratio which concluded that 55.9 percent of the net cost of services are funded from property taxes.<sup>16</sup> The Auditor's response to the RFI providing the Auditor's Ratio is included in Appendix 10.

This Auditor's Ratio is then multiplied by the net cost of services transferred from the County to the new City upon incorporation to determine the amount of base year property taxes that would be transferred to the new City. In this case, that calculation is as follows:

| <b>County Property Tax Transfer to City – Base Year 2021-22</b> |          |                     |          |                       |
|---|----------|---------------------|----------|-----------------------|
| Net Cost of Services  | x        | Auditor's Ratio     | =        | Property Tax Transfer |
| <b>\$2,671,934</b>  | <b>x</b> | <b>55.9 percent</b> | <b>=</b> | <b>\$1,493,611</b>    |

**Tracy Rural Share of Property Taxes:** Tracy Rural provides services to a relatively small portion (10 of the 7,918 parcels) of the Proposed Boundary. Responses to fire service and emergency calls from these 10 parcels will become the responsibility of the new City after incorporation by way of detachment of these properties from Tracy Rural. According to agency interviews, Tracy Rural reported receiving a total of 8 calls for service in the areas around the MHCS D in FY 2021-22.<sup>17</sup> Additionally, **Tracy Rural incurred an actual net cost of services**

<sup>14</sup> According to response from CDD on April 25, 2023  
<sup>15</sup> Also referred to as a "determination" in GOV Sec. 56810  
<sup>16</sup> Provided by the Auditor Controller's Office on March 16, 2023  
<sup>17</sup> Tracy Rural FPD response to RFIs on March 23, 2023

totaling \$2,500 during 2021-22. The cost and revenues received by Tracy Rural are listed below:

- Fire Protection Costs (\$2,500): Cost to provide service to the Proposed Boundary share of the areas serviced by Tracy Rural around the MHCSD.
- Property Tax Transfer from Tracy Rural: Government Code section 56810(d) exempts an agency affected by an incorporation where all of said agency's service responsibilities would transfer to the new city from needing an Auditor's Ratio. Instead, the Auditor must provide LAFCO staff, and subsequently RSG, with the amount of property tax revenue generated in the applicable Tax Rate Areas ("TRAs"), with the assumption that 100% of the net cost of services in that area would be funded by said property taxes.

| <b>Tracy Rural Property Tax Transfer to City – Base Year 2021-22</b> |   |                 |                         |
|--|---|-----------------|-------------------------|
| Net Cost of Services   | x | Auditor's Ratio | = Property Tax Transfer |
| \$2,500  | x | 100.0 percent   | = \$2,500               |

To compute the portion of the basic property tax levy from the County and Tracy Rural that is to be allocated by the County Auditor Controller to the City, please see the analysis in Figure 14. The respective base year property tax transfer from the County (\$1,493,611) and Tracy Rural (\$2,500) is adjusted by the projected percentage change in estimated assessed valuation between the base year and first year after the transition year (the projected increase from FY 2021-22 to FY 2025-26), which is a cumulative growth rate of approximately 25.9 percent, and then stated as a percentage of the projected property taxes collected within the new City boundaries.

Figure 14 – Property Tax Share Transfer

|  | <u>Source Agency</u> |                                      | <b>TOTAL</b>        |
|--|----------------------|--------------------------------------|---------------------|
|  | San Joaquin County   | Tracy Rural Fire Protection District |                     |
| <b>Cost of Services Transferred to City</b>  |                      |                                      |                     |
| Sheriff - Base Unincorporated Services       | \$ 2,245,164         | \$ -                                 | \$ 2,245,164        |
| Fire Services                                | -                    | 2,500                                | 2,500               |
| Planning                                     | 43,291               | -                                    | 43,291              |
| Building Inspection                          | 1,236,288            | -                                    | 1,236,288           |
| Public Works (Plan Check)                    | 151,284              | -                                    | 151,284             |
| Community Development Consultant             | 200,000              | -                                    | 200,000             |
| <b>Total Costs</b>                           | <b>\$ 3,876,027</b>  | <b>\$ 2,500</b>                      | <b>\$ 3,878,527</b> |
| Less Community Development Revenues          | (1,039,344)          | -                                    | (1,039,344)         |
| Less Public Works Revenues                   | (137,514)            | -                                    | (137,514)           |
| Less Sheriff Revenues                        | (27,234)             | -                                    | (27,234)            |
| <b>Costs Grand Total</b>                     | <b>\$ 2,671,934</b>  | <b>\$ 2,500</b>                      | <b>\$ 2,674,434</b> |
| <b>Ratio (2021-22)</b>                       | <b>55.9%</b>         | <b>100%</b>                          |                     |
| <b>Property Tax Base Transferred to City</b> | <b>\$ 1,493,611</b>  | <b>\$ 2,500</b>                      | <b>\$ 1,496,111</b> |
| <b>Property Tax Revenue Adjustment</b>       |                      |                                      |                     |
| Total Assessed Valuation (2021-22)           | 4,040,811,212        | 4,040,811,212                        |                     |
| Projected Assessed Valuation (2025-26)       | 5,087,400,000        | 5,087,400,000                        |                     |
| Growth Rate                                  | 25.90%               | 25.90%                               |                     |
| Adjusted Property Tax Base Transferred       | \$ 1,880,464         | \$ 3,148                             | \$ 1,883,611        |
| <b>Property Tax Computation</b>              |                      |                                      |                     |
| Projected Assessed Valuation (2025-26)       | 5,087,400,000        | 5,087,400,000                        |                     |
| General Property Tax Levy                    | 50,874,000           | 50,874,000                           |                     |
| Property Tax Transferred To City             | \$ 1,880,464         | \$ 3,148                             | \$ 1,883,611        |
| <b>Property Tax Shares to City</b>           | <b>3.69632%</b>      | <b>0.00619%</b>                      | <b>3.70250%</b>     |

As a result, the total property taxes that would be collected by the new City are summarized below. RSG estimates the total share of the basic tax levy that would be allocated from the County Auditor Controller to the new City General Fund would be 3.70 percent, while 1.01 percent would be allocated to the new Subsidiary District.



| Share of Property Taxes to New City |                  |                    |                      |
|-------------------------------------|------------------|--------------------|----------------------|
| City General Fund                   | Source           | Base Year \$       | Basic Levy Share     |
|                                     | From MHCS D      | \$6,897,037        | 14.94 percent        |
|                                     | From County      | \$1,493,611        | 3.69 percent         |
|                                     | From Tracy Rural | \$2,500            | 0.006 percent        |
|                                     | <b>Total</b>     | <b>\$8,393,148</b> | <b>18.64 percent</b> |
| Subsidiary District                 | From MHCS D      | \$408,400          | <b>1.01 percent</b>  |

**Assessed Value Growth Forecast**

The assessed valuation of all property in the City determines the amount of property taxes received. For the base year of 2021-22, the total assessed value of the Proposed Boundary is approximately \$4.59 billion. By the end of the transition year, the CFA projects the total assessed value of the City to increase to \$4.86 billion. Taxes are calculated from the 1 percent general levy, which is then divided by taxing entity share.

- Existing secured property assessed values are assumed to grow at the maximum 2 percent (Proposition 13) inflation rate, which is based on the change in the California Consumer Price Index (“CPI”). While not identical to real property values, RSG generally finds the figures to be close.
- Because they are not subject to Proposition 13 inflationary adjustments or depreciation, and reassessed annually, personal properties typically do not see as predictable increases from year to year, and often are roughly comparable to unsecured value totals. Best practices in revenue forecasts commonly hold existing personal property or unsecured values fixed, as is reflected in this forecast.
- New development within the City is the primary driver of growth in the forecast as shown previously in Figure 11. Assessed value grows by 2 percent annually. New construction values are then added in based on the estimated cost to build industrial, commercial, single-family residential, and multi-family residential buildings.<sup>18</sup> Costs in the forecast are inclusive of an inflationary adjustment of 4.73 percent.<sup>19</sup> The CFA assumes the estimated development costs of each new construction projects would be equal to the assessed value on the County’s assessment roll.
- By FY 2033-34, the final year in the forecast of this CFA, the City is expected to have a total assessed value of approximately \$8.3 billion compared to \$4.86 billion in the transition year or FY 2024-25. Figure 15 shows the forecast.

<sup>18</sup> RSG used estimates from the Marshall and Swift Valuation Service (“MVS”) and the Building Industry Association of Fresno-Madera Counties.

<sup>19</sup> Turner Construction Building Cost Index annualized rate from 2018 to 2022



**ASSESSED VALUE FORECAST  
PROPOSED BOUNDARY**

| Item Detail and Assumptions  | Value/Unit<br>(2023 \$) | Transition<br>7/1/24 | 12 Month Period Beginning |                      |                      |                      |                      |                      |                      |                      |                      |
|--|-------------------------|----------------------|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  |                         |                      | 7/1/25                    | 7/1/26               | 7/1/27               | 7/1/28               | 7/1/29               | 7/1/30               | 7/1/31               | 7/1/32               | 7/1/33               |
| Prior Year AV Plus 2.00%   |                         | \$4,770,490,000      | \$4,959,420,000           | \$5,186,590,000      | \$5,506,720,000      | \$5,923,360,000      | \$6,383,700,000      | \$6,849,070,000      | \$7,275,710,000      | \$7,685,110,000      | \$8,086,500,000      |
| <b>New Construction Value</b>                                      |                         |                      |                           |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Planned Commercial &amp; Industrial Development<sup>1</sup></b> |                         |                      |                           |                      |                      |                      |                      |                      |                      |                      |                      |
| 4.73% Commercial/Industrial Construction Costs Inflation           |                         | 0.1420               | 0.1893                    | 0.2366               | 0.2839               | 0.3313               | 0.3786               | 0.4259               | 0.4732               | 0.5205               | 0.5679               |
| Commercial Costs per Square Foot <sup>2</sup>                      | 323                     | 15,320,000           | 1,920,000                 | 7,000,000            | 7,260,000            | 4,300,000            | 23,510,000           | 27,780,000           | 29,770,000           | 24,580,000           | -                    |
| Industrial Costs per Square Foot <sup>2</sup>                      | 122                     | 3,030,000            | 1,850,000                 | 19,080,000           | 19,810,000           | 20,300,000           | 42,050,000           | 21,740,000           | -                    | -                    | -                    |
| <b>Total</b>   |                         | <b>18,350,000</b>    | <b>3,770,000</b>          | <b>26,080,000</b>    | <b>27,070,000</b>    | <b>24,600,000</b>    | <b>65,560,000</b>    | <b>49,520,000</b>    | <b>29,770,000</b>    | <b>24,580,000</b>    | <b>-</b>             |
| <b>Planned Residential Development<sup>1</sup></b>                 |                         |                      |                           |                      |                      |                      |                      |                      |                      |                      |                      |
| 4.73% Residential Construction Costs Inflation                     |                         | 0.1420               | 0.1893                    | 0.2366               | 0.2839               | 0.3313               | 0.3786               | 0.4259               | 0.4732               | 0.5205               | 0.5679               |
| Construction Cost of Multifamily Unit <sup>2</sup>                 | 225,750                 | 19,590,000           | 75,310,000                | 92,960,000           | 37,250,000           | -                    | -                    | -                    | 5,610,000            | 17,380,000           | 15,090,000           |
| Construction Cost of Single Family Unit <sup>3</sup>               | 318,096                 | 55,580,000           | 48,900,000                | 97,360,000           | 242,190,000          | 317,270,000          | 272,140,000          | 240,140,000          | 228,510,000          | 205,730,000          | 197,200,000          |
| <b>Total</b>   |                         | <b>75,170,000</b>    | <b>124,210,000</b>        | <b>190,320,000</b>   | <b>279,440,000</b>   | <b>317,270,000</b>   | <b>272,140,000</b>   | <b>240,140,000</b>   | <b>234,120,000</b>   | <b>223,110,000</b>   | <b>212,290,000</b>   |
| <b>Total New Construction</b>                                      |                         | <b>93,520,000</b>    | <b>127,980,000</b>        | <b>216,400,000</b>   | <b>306,510,000</b>   | <b>341,870,000</b>   | <b>337,700,000</b>   | <b>289,660,000</b>   | <b>263,890,000</b>   | <b>247,690,000</b>   | <b>212,290,000</b>   |
| <b>Total Assessed Value</b>  |                         | <b>4,864,010,000</b> | <b>5,087,400,000</b>      | <b>5,402,990,000</b> | <b>5,813,230,000</b> | <b>6,265,230,000</b> | <b>6,721,400,000</b> | <b>7,138,730,000</b> | <b>7,539,600,000</b> | <b>7,932,800,000</b> | <b>8,298,790,000</b> |

<sup>1</sup> 4.73% Construction Cost Inflation from Turner Construction Building Cost Index annualized rate from 2018-22

<sup>2</sup> RSG estimate based on database of prior experience and the Marshall & Swift Valuation Service (MVS)

<sup>3</sup> Data from Building Industry Association of Fresno-Madera Counties on Central Valley Housing Construction Costs adjusted for inflation

Figure 15 – Assessed Value Forecast

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### **Property Taxes**

The MHCS D collects a sizable amount of property taxes. According to the County Auditor-Controller, the 2023 share of the 1 percent general tax levy for the MHCS D is 15.95 percent. The CFA reduces this rate by 1.01 percent to fund the enforcement of CC&Rs by the Subsidiary District.

Under Government Code Section 54902, the final date to file with the State Board of Equalization for a change of jurisdictional boundary is on or before December 1 of the year immediately prior to the year in which the assessments or taxes are to be levied. For the City to collect property tax revenues in FY 2024-25, normally the incorporation would need to be effective, and the change of jurisdictional boundary would need to be filed no later than December 1, 2023. However, because the MHCS D already receives a portion of the general tax levy, RSG assumed that upon incorporation the City would automatically assume the net portion of these funds, exclusive of those remaining in the Subsidiary District. The City would also be expected to gain the previously mentioned 3.69 percent from the County, for a final adjusted rate of 18.64 percent.

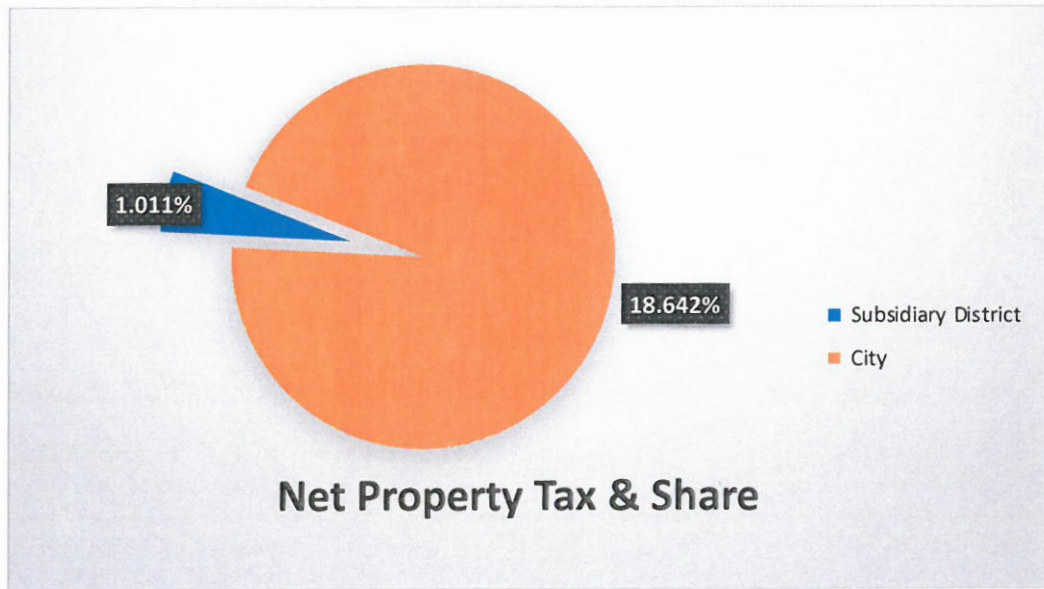
For this reason, RSG has assumed property tax revenues will be available to the City by the beginning of the transition year, or July 1, 2024. In the future, the City would receive its property tax revenues throughout the year, but most of the revenue would be distributed in December and April when secured property tax bills are due.

In the event that property tax revenues assumed in this CFA cannot be shifted from the MHCS D and from the County to the new city in FY 2024-25, LAFCO Terms and Conditions could specify that these revenues shall be applied towards the reimbursement of County transition year services; any additional funds received by the County during the transition year, in excess of reimbursements, that otherwise would have accrued to the City should be remitted by the County to the City.

This CFA also includes projections of supplemental property tax revenues and the County administrative fee subtracted out of the monies to be transferred to the City. Supplemental revenue is the revenue generated from supplemental tax bills, which are issued when a property sale occurs, a roll value is corrected after the August 20 finalization date, or construction is completed on a project after the January 1 lien date. The administrative fee is an assessment levied by the County Auditor-Controller on property tax revenues for the funding of property tax administration. In FY 2024-25 the City is expected to receive \$55,400 in supplemental revenue and lose \$13,100 in administrative fees.

In summary, the new City would receive a total of 18.64 percent of the property tax levy, consisting of 15.95 percent from the current MHCS D share, 3.69 percent from the County General Fund for the net cost of services transferred to new City, and net of the 1.01 percent of the MHCS D share that would be retained for providing oversight of CC&Rs. Figure 16 visualizes the relation of the Subsidiary District subtraction to the City share. Figure 17 displays the property tax revenues as projected

Figure 16 – Net Share of Property Tax Levy to City





**PROPERTY TAXES  
PROPOSED BOUNDARY**

| Item Detail and Assumptions                         |                | Transition<br>7/1/24 | 12 Month Period Beginning |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------|----------------------|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   |                |                      | 7/1/25                    | 7/1/26               | 7/1/27               | 7/1/28               | 7/1/29               | 7/1/30               | 7/1/31               | 7/1/32               | 7/1/33               |
| Existing Property Tax Share                         | 15.950%        | \$ 7,758,100         | 8,114,400                 | 8,617,800            | 9,272,100            | 9,993,000            | 10,720,600           | 11,386,300           | 12,025,700           | 12,652,800           | 13,236,600           |
| Less: CC&R Fund Share <sup>1</sup>                  | 1.011%         | \$ (491,600)         | (514,200)                 | (546,100)            | (587,500)            | (633,200)            | (679,300)            | (721,500)            | (762,000)            | (801,800)            | (838,700)            |
| Property Tax Share Transferred to City <sup>2</sup> | 3.703%         | \$ 1,800,900         | 1,883,600                 | 2,000,500            | 2,152,300            | 2,319,700            | 2,488,600            | 2,643,100            | 2,791,500            | 2,937,100            | 3,072,600            |
| Supplemental Revenue                                | 3.079%         | \$ 55,400            | 58,000                    | 61,600               | 66,300               | 71,400               | 76,600               | 81,400               | 86,000               | 90,400               | 94,600               |
| Less: County Admin. Fee                             | 0.73%          | 13,100               | 13,700                    | 14,600               | 15,700               | 16,900               | 18,100               | 19,200               | 20,300               | 21,400               | 22,400               |
| <b>Net Property Tax &amp; Share</b>                 | <b>18.642%</b> | <b>\$ 9,109,700</b>  | <b>\$ 9,528,100</b>       | <b>\$ 10,119,200</b> | <b>\$ 10,887,500</b> | <b>\$ 11,734,000</b> | <b>\$ 12,588,400</b> | <b>\$ 13,370,100</b> | <b>\$ 14,120,900</b> | <b>\$ 14,857,100</b> | <b>\$ 15,542,700</b> |

<sup>1</sup> CC&R Fund/Subsidiary District share of the Property Tax Levy is to be subtracted from the City share, per the Incorporation Application

<sup>2</sup> Estimate of additional Property Taxes to the City based on transfer of costs and revenues

**Figure 17 – Property Tax Revenues**

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## Sales Taxes

The Bradley-Burns Uniform Sales and Use Tax Act provides for State administration of the local sales tax and is administered by the CDTFA. The State collects taxes from sellers and purchasers and later remits sales tax allocations to local governments. Generally, businesses collect sales taxes based on the location of the transaction. As of July 1, 2023, the statewide sales and use tax rate is 7.25 percent.

A city typically receives 1 percent of taxable sales made within its boundaries. The estimated sales tax revenues are based on data supplied by the County of San Joaquin and conversations with the CDTFA. The MHCS D currently has a relatively small commercial footprint. Businesses in the Proposed Boundary generated approximately \$825,000 in taxable sales during the twelve-month period ending June 30, 2022.

Locally generated sales tax revenues are adjusted based on the pro rata share of locally generated taxes within the County (for countywide indirect apportionments) and within the State (for other statewide indirect apportionments). Due to confidentiality limitations on the data available from the CDTFA, the small geographic area, and the limited commercial activity in the Proposed Boundary, they were unable to supply the specific amount of sales tax distributed to San Joaquin County that was paid by retailers located in the Proposed Boundary. Instead CDTFA provided actual taxable sales for the zip code 95391, which RSG determined was the next best proxy.<sup>20</sup> RSG then analyzed that data along with data provided by the County Administrator's Office and its consultant HDL.

Future commercial construction is projected to produce approximately 250,500 square feet of retail space, while industrial construction is projected to complete 778,500 square feet of warehouse and other industrial use space. Only the commercial zoned development will produce sales taxes, exclusive of any office construction. This CFA projects a Safeway grocery store, gas station, and small retail marketplace will be open and producing sales taxes in the transition year. As of the writing of this CFA, the Safeway is open. Commercial developments planned further than the transition year are based on the development forecast. This includes projects planned under "freeway commercial" and "general commercial" zoning, per MHCS D. Depending on the type of development, RSG assumed a rate between \$32 and \$325 of sales per square foot when calculating the tax revenues.

The City will start receiving sales taxes in the first quarter following the adoption of a Bradley Burns ordinance, which will likely occur within the first few months of the transition year. As such, the City would start collecting sales tax in the second quarter of FY 2024-25, only collecting three-quarters of the sales tax revenue generated in FY 2024-25. The County will collect the sales taxes from the first quarter of FY 2024-25. In addition, the CDTFA remits payments to cities approximately three months following the end of a quarter. Therefore, in each fiscal year, the City will collect revenues generated in the fourth quarter of the prior fiscal year, and the first three quarters of the current fiscal year. Combined with the time it may take the City Council to adopt a Bradley Burns ordinance, this results in the City only collecting one-half of the FY 2024-25 sales tax revenue in the transition year. The City will receive as fourth quarter FY 2024-25 revenues in FY 2025-26.

LAFCO Terms and Conditions could specify that sales tax revenues received by the County from the MHCS D following formation of the City shall be applied towards reimbursement of County transition year services; any additional sales tax received by the County during the transition year, in excess of reimbursements, that otherwise would have accrued to the City should be remitted by the County to the City.

Figure 18 presents the adjusted taxable sales projections for the City.

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<sup>20</sup> Correspondence with CDTFA dated March 27, 2023.



**SALES TAXES  
PROPOSED BOUNDARY**

| Item Detail and Assumptions                  | SF     | Sales<br>Per SF <sup>1</sup> | Transition<br>7/1/24 | 12 Month Period Beginning |                   |                   |                   |                   |                   |                    |                     |                     |
|--|--------|------------------------------|----------------------|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|---------------------|
|  |        |                              |                      | 7/1/25                    | 7/1/26            | 7/1/27            | 7/1/28            | 7/1/29            | 7/1/30            | 7/1/31             | 7/1/32              | 7/1/33              |
| Prior Year Taxable Sales Plus 2.6%           |        |                              | 846,800              | 19,284,600                | 19,791,800        | 25,863,000        | 26,543,200        | 27,241,300        | 66,159,300        | 67,899,300         | 111,818,500         | 114,759,300         |
| New Taxable Sales Added by Year <sup>2</sup> |        |                              |                      |                           |                   |                   |                   |                   |                   |                    |                     |                     |
| 2.6% Inflationary Increase                   |        |                              |                      |                           |                   |                   |                   |                   |                   |                    |                     |                     |
| Safeway Grocery Store                        | 55,000 | 150                          | 8,689,700            | -                         | -                 | -                 | -                 | -                 | -                 | -                  | -                   | -                   |
| Retail Stores (3x)                           | 25,500 | 325                          | 8,729,200            | -                         | -                 | -                 | -                 | -                 | -                 | -                  | -                   | -                   |
| Safeway Convenience/Fuel Station             | 3,000  | 32                           | 101,100              | -                         | -                 | -                 | -                 | -                 | -                 | -                  | -                   | -                   |
| Safeway Gasoline Sales                       | 3,000  | 141                          | 423,628              | -                         | -                 | -                 | -                 | -                 | -                 | -                  | -                   | -                   |
| Freeway & General Commercial                 |        | 325                          |                      |                           | 5,408,400         |                   |                   | 37,222,600        |                   | 41,053,700         |                     |                     |
| <b>Total Taxable Sales</b>                   |        |                              | <b>18,790,428</b>    | <b>19,284,600</b>         | <b>25,200,200</b> | <b>25,863,000</b> | <b>26,543,200</b> | <b>64,463,900</b> | <b>66,159,300</b> | <b>108,953,000</b> | <b>111,818,500</b>  | <b>114,759,300</b>  |
| <b>Total Sales Taxes<sup>3,4</sup></b>       |        |                              | <b>\$ 85,500</b>     | <b>\$ 174,200</b>         | <b>\$ 215,600</b> | <b>\$ 233,600</b> | <b>\$ 239,700</b> | <b>\$ 499,800</b> | <b>\$ 597,600</b> | <b>\$ 893,200</b>  | <b>\$ 1,010,000</b> | <b>\$ 1,036,500</b> |

<sup>1</sup> Grocery and Retail sales per square foot per market expectations from RSG experience. Convenience and Gasoline sales per National Association of Convenience Stores (NACS).

<sup>2</sup> Projection is inflated forward by CPI of 2.6%, based on December 2013 to December 2022 CPI

<sup>3</sup> Analysis incorporates a negative 10% market adjustment due to expected market conditions (CoStar, RSG)

<sup>4</sup> This forecast is performed on a cash basis. Total Sales Taxes are adjusted by half in the transition year because one quarter of revenues would be lost while the new City elects to receive the tax, and an additional quarter is collected the following fiscal year as payments to cities are typically received 2-3 months behind the end of each quarter. In subsequent years, one quarter of the revenue is associated with the prior fiscal year's sales generation, and three quarters with the current fiscal year.

Figure 18 – Sales Taxes

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### ***Property Transfer Taxes***

As a general law city, the City would receive property transfer tax revenue of \$0.55 for every \$1,000 of property value transferred after the date of incorporation per the Documentary Transfer Tax Act.<sup>21</sup> The amount of property transfer tax received will depend upon the level of resale activity and new development in the City limits.

Based on resale activity during the base year of 2021-22 in the Proposed Boundary,<sup>22</sup> RSG has assumed an 8.73 percent turnover rate of the existing housing stock. In addition to resale activity, RSG included transfer taxes from new home sales projected in the development forecast. New single family residential properties sold in the City area are likely to sell at a higher price than the current or projected median values. Therefore, RSG conservatively valued residential units at the median value for the purpose of this analysis.

Figure 19 shows the projection of property transfer taxes.

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<sup>21</sup> Revenue and Taxation Code Section 11901-11935

<sup>22</sup> According to actual resale volume data retrieved from California Association of Realtors, Metroscan, and the County Assessment Roll.



**PROPERTY TRANSFER TAXES**  
**PROPOSED BOUNDARY**

| Item Detail and Assumptions   | Transition<br>7/1/24 | 12 Month Period Beginning |                   |                   |                   |                   |                     |                     |                     |                     |  |
|---|----------------------|---------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|--|
|   |                      | 7/1/25                    | 7/1/26            | 7/1/27            | 7/1/28            | 7/1/29            | 7/1/30              | 7/1/31              | 7/1/32              | 7/1/33              |  |
| Base Year Sales Volume (in 000's)   | 400,504              |                           |                   |                   |                   |                   |                     |                     |                     |                     |  |
| 2021-22 Transfer Tax (Co. Share)<br>(\$1.10/\$1,000 transferred) <sup>1</sup> | 220,277              |                           |                   |                   |                   |                   |                     |                     |                     |                     |  |
| <b>Projected Turnover</b>   |                      |                           |                   |                   |                   |                   |                     |                     |                     |                     |  |
| Residential Resale Volume (in 000's)  | 968,200              | 1,062,700                 | 1,189,800         | 1,308,300         | 1,417,300         | 1,531,100         | 1,634,300           | 1,741,700           | 1,853,700           | 1,953,400           |  |
| Projected Existing Housing Stock  | 7,388                | 8,207                     | 8,864             | 9,650             | 10,362            | 10,891            | 11,421              | 11,900              | 12,373              | 12,776              |  |
| Turnover Rate <sup>2</sup>  | 8.73%                | 720                       | 770               | 840               | 900               | 950               | 1,000               | 1,040               | 1,080               | 1,120               |  |
| Resale Price  | 1,058,000            | 1,344,700                 | 1,380,100         | 1,416,400         | 1,453,700         | 1,491,900         | 1,531,100           | 1,571,400           | 1,612,700           | 1,655,100           |  |
| Appreciation Rate (2018-22) <sup>3</sup>                                      | 8.3%                 |                           |                   |                   |                   |                   |                     |                     |                     |                     |  |
| Appreciation Rate (Later Yrs) <sup>3</sup>                                    | 2.6%                 |                           |                   |                   |                   |                   |                     |                     |                     |                     |  |
| New Home Sales Volume (in 000's)<br>(See Assessed Value Projections)          | 55,600               | 48,900                    | 97,400            | 242,200           | 317,300           | 272,100           | 240,100             | 228,500             | 205,700             | 197,200             |  |
| Total Sales Volume Turnover (in 000's)  | 1,023,800            | 1,111,600                 | 1,287,200         | 1,550,500         | 1,734,600         | 1,803,200         | 1,874,400           | 1,970,200           | 2,059,400           | 2,150,600           |  |
| <b>Property Transfer Taxes (Projected)</b>                                    | <b>\$ 563,100</b>    | <b>\$ 611,400</b>         | <b>\$ 708,000</b> | <b>\$ 852,800</b> | <b>\$ 954,000</b> | <b>\$ 991,800</b> | <b>\$ 1,030,900</b> | <b>\$ 1,083,600</b> | <b>\$ 1,132,700</b> | <b>\$ 1,182,800</b> |  |

<sup>1</sup> California City Finance - Documentary and Property Transfer Taxes by County

<sup>2</sup> Rate of turnover for owned residential parcels in the Mountain House area during 2021-22

<sup>3</sup> The 2018-22 Appreciation Rate is used for the transition year and is based on Metroscan data on residential sales. The appreciation rate of later years uses a conservative approach and was assumed to be CPI

Figure 19 – Property Transfer Taxes

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### **Community Development Fees**

The San Joaquin County Community Development Department collects fees for community development services provided to the MHCSD. Community Development fees include planning, building, and plan check fees for development and other permits. In fiscal year 2021-22, the County received approximately \$1.18 million in fees from planning, building, and plan check services.

Initially, the City would adopt the County's existing fee structure, which was recently re-structured to provide 100 percent full cost recovery.<sup>23</sup> At some point, the City Council of the new City could alter fee programs which may adjust the amount of fee revenues collected, but in no case can the fees exceed the cost of services provided. For the purposes of this CFA, RSG has assumed that the new City would replicate the County's fee structure for the duration of the forecast.

Fee revenues were projected using the average cost recovery ratio (98.5 percent) of the new County fee schedule, and multiplying it by the costs to provide planning, building, and plan check services discussed later in this CFA.

Figure 20 shows the future projections of the Community Development Fees.

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<sup>23</sup> San Joaquin County's new fee schedule went into effect on January 31, 2022

**COMMUNITY DEVELOPMENT FEES**  
 PROPOSED BOUNDARY

| Item Detail and Assumptions             | Transition <sup>1</sup><br>7/1/24 | 12 Month Period Beginning |                    |                    |                    |                    |                    |                    |                    |                    |        |
|---|-----------------------------------|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------|
|   |                                   | 7/1/25                    | 7/1/26             | 7/1/27             | 7/1/28             | 7/1/29             | 7/1/30             | 7/1/31             | 7/1/32             | 7/1/33             |        |
| Community Development Fees <sup>1</sup> | \$2,622,747                       | \$3,412,951               | \$4,088,783        | \$3,701,153        | \$2,751,453        | \$2,753,403        | \$2,492,103        | \$2,457,003        | \$2,097,474        | \$1,906,409        |        |
| 21-22 (CDD Estimate)                    | 1,176,858                         |                           |                    |                    |                    |                    |                    |                    |                    |                    |        |
| Cost Recovery Ratio                     | 98.5%                             |                           |                    |                    |                    |                    |                    |                    |                    |                    |        |
| <b>TOTAL</b>                            | <b>\$2,622,747</b>                | <b>\$3,412,951</b>        | <b>\$4,088,783</b> | <b>\$3,701,153</b> | <b>\$2,751,453</b> | <b>\$2,753,403</b> | <b>\$2,492,103</b> | <b>\$2,457,003</b> | <b>\$2,097,474</b> | <b>\$1,906,409</b> |        |
| Population for Per Capita Estimate      | 27,032                            |                           |                    |                    |                    |                    |                    |                    |                    |                    |        |
| Projected Population (Proposal)         | 27,032                            | 30,209                    | 32,451             | 35,136             | 37,568             | 39,375             | 41,183             | 42,820             | 44,434             | 45,812             | 47,064 |

<sup>1</sup> Community Development Fees include estimates of planning, building, & plan check fees projected out as a function of expenditures multiplied by the cost recovery ratio.

Figure 20 – Community Development Fees

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### ***Business License Fees***

The County does not levy any business license fee; therefore, the CFA does not include business license revenues. In the future, the City Council may elect to adopt a business license fee ordinance.

### ***Transient Occupancy Tax***

Transient Occupancy Tax ("TOT"), also known as the Hotel Tax, is a percentage tax on revenues from lodging facilities. The County currently levies a hotel tax of 8 percent in unincorporated San Joaquin County.<sup>24</sup> Initially, the new City would presumably adopt the County's code and the rate of taxes, but a new city council may alter that rate within the new City limits at its discretion.

As of the date of this CFA, there are no hotels in the Proposed Boundary and therefore no TOT revenue being collected by the County within the proposed City boundary. The CFA does not assume the construction of any new hotels within the ten-year forecast period; therefore, it does not include any projections of TOT.

### ***Motor Vehicle License Fees or Property Tax In-Lieu Fees***

Previously, the State of California distributed Motor Vehicle License Fees ("VLF") to each city in the state. However, due to the budget crisis of 2004, the state legislature appropriated the fees for its own purposes. As a compromise, cities would be given a portion of the local property tax revenue as a function of what they received in FY 2004-05, in-lieu of direct payment from the VLF.

Newer cities do not receive the in-lieu payments as they did not receive any VLF in FY 2004-05. In 2006 a legislative fix was passed to account for this but it was reversed in 2011. The four cities that incorporated between 2006 and 2011 suffered significant losses in their General Fund and one (Jurupa Valley) explored disincorporation as a direct result. Since then, Senate Bill 130 (Roth) from the 2017 legislative session produced a fix for the four new Riverside County cities. The fix instructs the Riverside County Auditor to reallocate property taxes proportional to what other cities in the county receive from the property tax in-lieu of VLF payments. However, the Senate Bill applies to Riverside County specifically, and no further proposals have advanced to change the issue for all other annexations and incorporations.<sup>25</sup> As a result, RSG did not include motor vehicle license fees or the in-lieu payments in the forecast.

### ***Off-Highway Vehicle License Subventions***

The SCO biannually apportions off-highway vehicle license fees to cities and counties. Cities receive 50 percent of the total license fee revenues collected statewide. Off-highway vehicle license fee revenues were estimated based on the SCO per capita apportionments, as demonstrated in Figure 21.

### ***Franchise Fees***

Currently, the County collects franchise fees and passes them through to MHCS. The franchise fee rates are as follows:

- Modesto Irrigation District (Electricity): 1.5 percent of receipts<sup>26</sup>

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<sup>24</sup> Section 3-4000 of Chapter 1, Division 4, Title 3 of the County Code

<sup>25</sup> CaliforniaCityFinance.com, "Implementing SB130(Roth): Property Tax In Lieu of VLF for Menifee, Wildomar, Eastvale, and Jurupa Valley"

<sup>26</sup> The agreement includes an encroachment agreement.

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- West Valley Disposal: 15 percent of receipts<sup>27</sup>
  - Charter Cable: 5 percent of receipts<sup>28</sup>
  - Pacific Gas & Electric: 2 percent of receipts<sup>29</sup>
  - PacBell: 5 percent of receipts

RSG estimated future franchise fees based upon data from MHCS D and assumed the current rates would remain the same. MHCS D received approximately \$1.15 million in franchise fees in 2021-22, which RSG assumed will increase at a rate of 2.6 percent, as shown in Figure 21. While development may generate users, efficiency measures associated with power usage as well as decreasing costs of broadband and cable services may mitigate any growth in franchise fee revenues. Following incorporation, the City may elect to negotiate new franchise agreements with various service providers once their terms expire.

### ***Fines and Forfeitures***

In 2021-22, the County received \$122,034 in fines and forfeiture revenues within the proposed City boundary. To develop the forecast upon incorporation, the CFA utilizes a 2.6 percent inflation factor, resulting in projected revenue of \$150,400 in 2024-25. Figure 21, at the end of this section, shows the ten-year forecast for fines and forfeitures.

### ***Law Enforcement Fees for Services***

This CFA includes projections of certain Sheriff fees for services currently levied by the County for various law enforcement services. Fees include those for general services, special events, removal and storage, false alarm calls, and vehicle towing. In the Base Year or FY 2021-22, the Sheriff's Department levied approximately \$27,234 in fees from the Mountain House area.

### ***Interest Earnings***

Interest earnings estimates are based upon the beginning fund balance of each fiscal year plus any reserve fund balance. The CFA assumes a 1.43 percent annual yield rate based on the annualized earnings in the Local Agency Investment Fund ("LAIF") between 2018 and 2022. In FY 2025-26 the CFA is projecting \$8,900 in interest income to the City. This fluctuates throughout the forecast until ending at \$31,200 in the final year or FY 2033-34. Appendix 1 details the interest earnings in the fund summary further.

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<sup>27</sup> Tracy Delta provides solid waste services, and the rate includes the West Valley Commercial permit, which expires in June 2023.

<sup>28</sup> The franchise agreement expires in 2027 and includes a ten-year extension

<sup>29</sup> Includes an encroachment agreement; LAFCO Alternative additions also under PG&E



**MISCELLANEOUS REVENUES**  
PROPOSED BOUNDARY

| Item Detail and Assumptions            |           | Transition<br>7/1/24 | 12 Month Period Beginning |           |           |           |           |           |           |           |           |
|--|-----------|----------------------|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  |           |                      | 7/1/25                    | 7/1/26    | 7/1/27    | 7/1/28    | 7/1/29    | 7/1/30    | 7/1/31    | 7/1/32    | 7/1/33    |
| Off-Highway Vehicle License Subvention |           | \$ 700               | 700                       | 800       | 900       | 1,000     | 1,000     | 1,100     | 1,200     | 1,300     | 1,300     |
| SCO Per Capita (2021-22)               | 0.02      |                      |                           |           |           |           |           |           |           |           |           |
| Growth Rate                            | 2.6%      |                      |                           |           |           |           |           |           |           |           |           |
| Franchise Fees                         |           | \$ 1,383,600         | 1,525,400                 | 1,695,000 | 1,860,000 | 2,000,700 | 2,147,700 | 2,291,800 | 2,440,700 | 2,582,500 | 2,722,900 |
| 21-22 Base (CSD Audit)                 | 1,145,319 |                      |                           |           |           |           |           |           |           |           |           |
| Growth Rate                            | 2.6%      |                      |                           |           |           |           |           |           |           |           |           |
| Fines & Forfeitures                    |           | \$ 147,400           | 162,500                   | 180,600   | 198,100   | 213,100   | 228,800   | 244,100   | 260,000   | 275,100   | 290,100   |
| 21-22 Base (County Budget)             | 122,003   |                      |                           |           |           |           |           |           |           |           |           |
| Growth Rate                            | 2.6%      |                      |                           |           |           |           |           |           |           |           |           |
| Licenses and Permits                   |           | \$ 8,400             | 9,200                     | 10,200    | 11,200    | 12,100    | 13,000    | 13,900    | 14,800    | 15,600    | 16,500    |
| 21-22 Base (CSD Audit)                 | 6,925     |                      |                           |           |           |           |           |           |           |           |           |
| Growth Rate                            | 2.6%      |                      |                           |           |           |           |           |           |           |           |           |
| Law Enforcement Fees for Services      |           | \$ 32,900            | 36,300                    | 40,300    | 44,200    | 47,600    | 51,100    | 54,500    | 58,000    | 61,400    | 64,700    |
| 21-22 Base (County Budget)             | 27,234    |                      |                           |           |           |           |           |           |           |           |           |
| Growth Rate                            | 2.6%      |                      |                           |           |           |           |           |           |           |           |           |
| Other Revenues                         |           | \$ 13,700            | 15,100                    | 16,800    | 18,500    | 19,900    | 21,300    | 22,700    | 24,200    | 25,600    | 27,000    |
| 21-22 Base (CSD Audit)                 | 11,368    |                      |                           |           |           |           |           |           |           |           |           |
| Growth Rate                            | 2.6%      |                      |                           |           |           |           |           |           |           |           |           |
| Population for Per Capita Estimate     | 27,032    |                      |                           |           |           |           |           |           |           |           |           |
| Projected Population (Proposal)        | 27,032    | 30,209               | 32,451                    | 35,136    | 37,568    | 39,375    | 41,183    | 42,820    | 44,434    | 45,812    | 47,064    |

Sources: San Joaquin County 2021-22 Budget, California State Controller's Office - Semi-Annual Off-Highway Remittance Advice 2021-22, & California City Finance Highway Users Tax 2021-22 Estimates

Figure 21 – Miscellaneous Revenues

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## **SPECIAL TAXES AND LIGHTING AND LANDSCAPING ASSESSMENTS**

Based on separate ordinances adopted on September 10, 1996<sup>30</sup>, MHCSD levies four special parcel taxes (“Special Taxes”) on properties, including:

- Special Tax No. 1 for Roads and Transportation Services and the Operational and Administrative Functions of the CSD (Ordinance 96-1, as codified in the Ordinance Code of Mountain House Community Services District, Title 3, Division 4),
- Special Tax No. 2 for Public Safety Services (Ordinance 96-2),
- Special Tax No 3 for Parks, Recreation, and Community Facilities (Ordinance 96-3), and
- Special Tax No. 4 for Public Works (Ordinance 96-4).

Each of the Special Taxes is authorized to fund specific activities as prescribed in the respective ordinance. The Special Taxes are based on property square footage and livable area and are levied on all parcels based on land use. Under the operative ordinance, the Special Taxes remain fixed until such time as the MHCSD Board of Directors increases the respective Special Tax rate, which it may do annually by no more than 4 percent each year.<sup>31</sup> The four ordinances for the Special Taxes do not contain a sunset date. Figure 22 shows the breakdown of said levies as of the most recent increase prior to the Base Year that went into effect on July 1, 2021.

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<sup>30</sup> The ordinances establishing the four special taxes were originally approved by the Board of Supervisors of the County, acting as the governing board of MHCSD in 1996. At the time of adoption, the County Board of Supervisors acted as the governing board of MHCSD. MHCSD became self-governing in 2008 once it reached a population of 1,000 registered voters.

<sup>31</sup> Section 3.C of each original ordinance allows for an annual increase in rates of 4 percent.

**Figure 22 – Special Tax Rates**

**Roads: Ordinance 96-1, Amended 7/1/2021**

|  |
|--|
| Residential                                |
| \$35.67 / 100 livable SF                   |
| \$6.23 / 100 SF up to 6,000 SF             |
| \$0.98 / 100 SF equal to 6,000 SF or above |
| Non-Residential                            |
| \$35.67 / 100 SF                           |
| \$6.23 / 100 SF up to 6,000 SF             |
| \$0.98 / 100 SF equal to 6,000 SF or above |

**Public Safety: Ordinance 96-2, Amended 7/1/2021**

|  |
|--|
| Residential                                |
| \$18.34 / 100 livable SF                   |
| \$3.06 / 100 SF up to 6,000 SF             |
| \$0.47 / 100 SF equal to 6,000 SF or above |
| Non-Residential                            |
| \$18.34 / 100 SF                           |
| \$3.06 / 100 SF up to 6,000 SF             |
| \$0.47 / 100 SF equal to 6,000 SF or above |

**Parks, Recreation, & Facilities: Ordinance 96-3, Amended 7/1/2021**

|  |
|--|
| Residential                                |
| \$3.06 / 100 livable SF                    |
| \$0.60 / 100 SF up to 6,000 SF             |
| \$0.13 / 100 SF equal to 6,000 SF or above |
| Non-Residential                            |
| \$3.06 / 100 SF                            |
| \$0.60 / 100 SF up to 6,000 SF             |
| \$0.13 / 100 SF equal to 6,000 SF or above |

**Public Works: Ordinance 96-4, Amended 7/1/2021**

|  |
|--|
| Residential                                |
| \$3.26 / 100 livable SF                    |
| \$0.60 / 100 SF up to 6,000 SF             |
| \$0.13 / 100 SF equal to 6,000 SF or above |
| Non-Residential                            |
| \$3.26 / 100 SF                            |
| \$0.60 / 100 SF up to 6,000 SF             |
| \$0.13 / 100 SF equal to 6,000 SF or above |

*Rates as Amended 7/1/2021*

RSG obtained documentation from past MHCS D tax increase resolutions and found that the MHCS D has approved several rate hikes over the years. The MHCS D has enacted rate hikes in 14 of the last 20 years, including multiple periods where rates were increased consecutively. These increases were often 4 percent particularly in the initial years but sometimes less or even zero. Over the 20-year period, the average annual increase has been 2.4 percent.

According to the MHCS D's financials, MHCS D collected a total of approximately \$14.1 million in special tax revenues from these four separate taxes during FY 2021-22, consisting of:



**Figure 23 – Base Year Special Tax Revenues**

| <b>Tax</b>                       | <b>Purpose</b>  | <b>Total Taxes</b>  |
|----------------------------------|---|---------------------|
| Special Tax No. 1<br>(Ord 96-1)  | Roads and Transportation Services and Community Services Operational and Administrative Functions | \$8,342,798         |
| Special Tax No. 2<br>(Ord. 96-2) | Public Safety Service   | \$4,251,835         |
| Special Tax No. 3<br>(Ord. 96-3) | Parks, Recreation, and Community Facilities   | \$738,610           |
| Special Tax No. 4<br>(Ord. 96-4) | Public Works  | \$766,709           |
| <b>Total 2021-22</b>             |   | <b>\$14,099,952</b> |

Each of these Special Tax revenues collected by MHCS D is deposited into a special tax fund for use on the allowable purposes, which historically has included both operational costs as well as capital projects. The respective ordinances do not dictate how much of the Special Taxes may be spent on operational costs or capital projects.

If incorporated, these Special Taxes will be essential to the long-term feasibility of the new city, as described below.

**Forecast and Use of Special Taxes upon Incorporation**

Upon incorporation, the MHCS D ordinances would transfer to the new City and the Special Taxes would be a revenue source for City services. For each of the four taxes, RSG projected Special Tax revenues as follows:

- Base Year (FY 2021-22) rates established by MHCS D,
- Assumed average annual growth rate of each tax rates at 2.4 percent per year, consistent with historic growth rates over the past 20 years, and
- Increased new development, as assumed by this CFA and described earlier beginning on page 24.

These Special Taxes would be deposited into the corresponding Special Tax fund for the City upon incorporation. The City would be expected to fund eligible services and other costs from each fund to the extent such revenues are available.

Figure 24 below shows the assumed uses of the Special Taxes in the first full year of incorporation (FY 2025-26), which we expect will reach nearly \$18.1 million:

Figure 24 – Special Tax Revenue Uses FY 2025-26

| Projected Taxes in 2025-26  | Assumed Use(s)  | 2025-26 Costs       |
|---|---|---------------------|
| <u>Special Tax No. 1 / (Ord 96-1)</u>   | 1% of Special Taxes for Community Development <sup>32</sup>       | \$ 59,285           |
| Roads and Transportation Services and Community Services Operational and Administrative Functions | Public Works road costs   | \$ 3,798,968        |
|   | 73% of Finance and Administration <sup>33</sup>                   | \$ 3,205,284        |
|   | Road fund expenditures  | \$ 592,345          |
|   | Net Available in Special Tax Fund                                 | \$ 2,663,898        |
| <b>2025-26 Taxes: \$10,318,968</b>  | <b>TOTAL</b>  | <b>\$10,318,968</b> |
| <u>Special Tax No. 2 / (Ord. 96-2)</u>  | Law enforcement costs (to the extent Special Taxes are available) | \$ 2,648,580        |
| Public Safety Service   | Fire protection costs (to the extent Special Taxes are available) | \$ 2,648,580        |
|   | Animal control (100% of all costs)                                | \$ 97,200           |
| <b>2025-26 Taxes: \$5,394,361</b>   | <b>TOTAL</b>  | <b>\$ 5,394,361</b> |
| <u>Special Tax No. 3 / (Ord. 96-3)</u>  | Public Works (operations / maintenance)                           | \$ 160,025          |
| Parks, Recreation, and Community Facilities   | Recreation (100% of all costs)                                    | \$ 789,400          |
|   | Library (100% of all costs)                                       | \$ 207,400          |
| <b>2025-26 Taxes: \$1,156,825</b>   | <b>TOTAL</b>  | <b>\$ 1,156,825</b> |
| <u>Special Tax No. 4 / (Ord. 96-4)</u>  | Public Works (operations / maintenance)                           | \$ 1,203,436        |
| Public Works  |   |                     |
| <b>2025-26 Taxes: \$1,203,436</b>   | <b>TOTAL</b>  | <b>\$ 1,203,436</b> |

Any remaining Special Taxes not used for Departmental operating costs may be available for other allowable uses including capital project costs at the discretion of the new City. However, it is notable that approximately \$15.4 million, or approximately 85 percent, of the projected \$18.1 million of Special

<sup>32</sup> In FY 2021-22, 1 percent of the Special Tax No. 1 revenues were used to pay for Community Development department costs.

<sup>33</sup> Special taxes comprise more than half of the total tax revenues collected by the new City; RSG has conservatively assumed that approximately 73% of the costs for the Finance and Administrative services departments would be eligible expenses under the “operational and administrative” category of Special Tax No. 1

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Taxes in 2025-26 would be needed to cover operational costs projected in this CFA without causing the General Fund to be in deficit, based on the assumptions utilized in this CFA. The new City will need to be diligent on the timely adjustment of both rates and the use of the Special Taxes to ensure overall financial feasibility after incorporation. The MHCS D currently uses the excess Special Tax revenues for capital projects. As compared to the base year, the amount of funds that we expect to be available for these capital projects (approximately \$2.7 million of the \$18.1 million projected) may be roughly half of what MHCS D transferred to its capital projects fund in 2021-22<sup>34</sup>; should the forecast of this CFA be realized, the new City may have relatively less revenues available for future capital projects from these Special Taxes as compared to the base year. However, we do project the amount of Special Tax revenues not pledged for anticipated operating costs may exceed nearly \$42.0 million cumulatively at the end of ten years.

This CFA anticipates that the Mountain House City Council will exercise the same judgement and discretion demonstrated by the MHCS D Board in determining the appropriate level of services and facilities provided to the community and funded through local and other revenues, including adjusting its use of Special Taxes as necessary.

### ***Lighting and Landscaping Maintenance District Revenues***

Lighting and Landscaping Maintenance District revenues and expenditures were projected to remain flat for the duration of the forecast. These revenues and expenditures would be restricted for use within the new City's special revenue fund for this purpose.

### ***Projected Special Tax and Lighting and Landscaping District Revenues***

Projected Special Tax revenues are shown cumulatively each as a separate line item in Figure 25. Accounting for the assumed new development and rate increases, the City is expected to receive \$16.4 million in the transition year or FY 2024-25. This will rise to \$31.6 million in the final year of the forecast or FY 2033-34. Lighting and Landscaping Maintenance District revenues are relatively minor by comparison, which are also enumerated in Figure 25.

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<sup>34</sup> The MHCS D transferred \$5.7 million in Special Tax revenues to capital project funds in FY 2021-22



**SPECIAL TAXES  
PROPOSED BOUNDARY**

| Item Detail and Assumptions                           | Transition<br>7/1/24 | 12 Month Period Beginning |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   |                      | 7/1/25                    | 7/1/26               | 7/1/27               | 7/1/28               | 7/1/29               | 7/1/30               | 7/1/31               | 7/1/32               | 7/1/33               |                      |
| <b>Special Tax Revenues</b>                           |                      |                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Tax No. 1: Roads <sup>1</sup>                         |                      | \$ 9,262,712              | \$ 10,049,512        | \$ 10,973,399        | \$ 11,857,826        | \$ 12,561,348        | \$ 13,195,451        | \$ 13,813,597        | \$ 14,379,440        | \$ 14,862,484        | \$ 15,301,526        |
| 21-22 (Audit)   | 8,342,798            |                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Tax No. 2: Public Safety <sup>1</sup>                 |                      | \$ 4,722,412              | 5,124,905            | 5,597,511            | 6,049,942            | 6,409,846            | 6,734,215            | 7,050,437            | 7,339,888            | 7,586,984            | 7,811,571            |
| 21-22 (Audit)   | 4,251,835            |                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Tax No. 3: Parks <sup>1</sup>                         |                      | \$ 818,790                | 887,369              | 967,894              | 1,044,982            | 1,106,304            | 1,161,572            | 1,215,451            | 1,264,770            | 1,306,872            | 1,345,138            |
| 21-22 (Audit)   | 738,610              |                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Tax No. 4: Public Works <sup>1</sup>                  |                      | \$ 861,475                | 933,980              | 1,019,111            | 1,100,610            | 1,165,446            | 1,223,874            | 1,280,839            | 1,332,978            | 1,377,487            | 1,417,942            |
| 21-22 (Audit)   | 776,709              |                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| + Cumulative 2.4% Rate Increase <sup>3</sup>          | 2.4%                 | \$ 685,405                | 1,077,824            | 1,511,590            | 1,993,258            | 2,522,377            | 3,092,745            | 3,702,533            | 4,352,042            | 5,040,101            | 5,764,275            |
| <b>SPECIAL TAX TOTAL</b>                              |                      | <b>\$ 16,350,794</b>      | <b>\$ 18,073,589</b> | <b>\$ 20,069,505</b> | <b>\$ 22,046,618</b> | <b>\$ 23,765,320</b> | <b>\$ 25,407,856</b> | <b>\$ 27,062,857</b> | <b>\$ 28,669,117</b> | <b>\$ 30,173,927</b> | <b>\$ 31,640,452</b> |
| <b>Lighting &amp; Landscape Maintenance Districts</b> |                      |                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| District 1 Assessment                                 | 53,849               | \$ 53,849                 | \$ 53,849            | \$ 53,849            | \$ 53,849            | \$ 53,849            | \$ 53,849            | \$ 53,849            | \$ 53,849            | \$ 53,849            | \$ 53,849            |
| District 2 Assessment                                 | 38,341               | \$ 38,341                 | 38,341               | 38,341               | 38,341               | 38,341               | 38,341               | 38,341               | 38,341               | 38,341               | 38,341               |
| District 3 Assessment                                 | 335,651              | \$ 335,651                | 335,651              | 335,651              | 335,651              | 335,651              | 335,651              | 335,651              | 335,651              | 335,651              | 335,651              |
| Growth Rate <sup>2</sup>                              | 0.0%                 |                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Population for Per Capita Estimate                    | 27,032               |                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Projected Population (Proposal)                       | 27,032               | 30,209                    | 32,451               | 35,136               | 37,568               | 39,375               | 41,183               | 42,820               | 44,434               | 45,812               | 47,064               |

<sup>1</sup> Special Taxes are assessed as Parcel Taxes on individual parcels. Growth per year of each tax is tied only to new development.

<sup>2</sup> Lighting & Landscape Maintenance District assessments are projected to remain flat for the duration of the CFA.

<sup>3</sup> The MHCSD has increased their Special Taxes by an average of 2.4% per year for the last 20 years.

Figure 25 – Special Taxes and Lighting and Landscaping Assessments

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## PROJECTED EXPENDITURES

The City's General Fund generally funds the following operational functions:

- City Council
- City Clerk
- Administration
- Legal Services/City Attorney
- Finance
- Community Development
- Public Works
- Animal Control
- Law Enforcement
- Parks and Recreation
- Fire Protection
- Library Services
- Non-Departmental

General Fund expenditures do not include transition year loan repayments or revenue neutrality payments to the County. Expenditures are also inclusive of services that are funded from the four Special Tax levies. These service costs are displayed by department with a line where applicable to indicate how much of said department's costs are transferred to the Special Tax funds. General Fund expenditures, exclusive of costs applied to the Special Tax funds, range from \$12.2 million in 2024-25 to \$22.9 million in 2033-34.

Each department will incur costs related to general operations and maintenance and are projected by division or department according to information provided in MHCS D's FY 2021-22 audited financials and its FY 2021-22 Adopted Budget. From the budget and conversations with MHCS D, RSG determined that several additional staffing positions not included in current totals are planned to be filled prior to or shortly after incorporation. RSG included these new positions in the analysis under the respective departments. Because MHCS D is applying for a reorganization of its current structure to form a newly incorporated city, RSG has assumed all services will remain with the current contracts at the same levels during the transition year unless otherwise noted.

As mentioned previously, all salaries projected were determined using the FY 2021-22 salary and benefit schedules provided by MHCS D.<sup>35</sup> A benefits to salary ratio was calculated as a reflection of the additional cost of personnel benefits for that position as a percentage of salary. Salaries and benefits were increased on an annual basis of 2.6 percent, based on the average CPI for All Urban Consumers for the December 2013 to December 2022 period as determined by the Bureau of Labor Statistics ("BLS"). It is important to note that MHCS D has a cost allocation model that identifies the costs of providing internal services to other internal departments and reallocates them (for example, IT services). This results in some departments appearing to have \$0 in costs in the financial data. The CFA adjusts for this and includes these costs according to the department they originated in.

All other City expenditures not otherwise noted were calculated on a per capita basis using RSG's population forecast and adjusted for inflation based on the CPI as determined by BLS. The following sections delineate specific cost assumptions and applicable exceptions.

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<sup>35</sup> MHCS D participates in a pension plan administered by the San Joaquin County Employees' Retirement Association (SJCERA). As of December 31, 2021, MHCS D reported a net pension liability in the amount of \$6,507,632. The Annual Comprehensive Financial Report for that fiscal year states that there are no significant payables to the plan. The City would assume these liabilities and continue to pay into the pension fund.

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## CITY COUNCIL

Five elected City Council members will govern the new City. The City Council will be responsible for code and statute adoption and involved with every aspect of the City government. The City Council will also oversee the creation of committees to address various needs in the community and approve budgets and staffing contracts.

The City Council would presumably sit on the governing board of the Subsidiary District, in a separate capacity. The Subsidiary District costs applicable to the Council are *not* included in this General Fund forecast but will be discussed later in this CFA.

Projected costs for services for operations and maintenance were based on the FY 2021-22 Audited Financials provided by MHCSO. It is important to note that the City Council expenditures forecast is based on the Board of Directors & District Clerk Division of the MHCSO, which is currently within the Administration Department. For the purposes of this forecast, City Council expenditures are projected separately from Administration.

Stipends for each of the five City Council members (including mayor) amount to \$12,400 per member annually. In total, the City would be projected to spend \$73,200 in stipends during the transition year up to \$144,000 by the end of the forecast, or FY 2033-34. Other costs for City Council members include a travel and membership budget of \$9,000 beginning in the transition year. The total costs for the City Council in the first year after the transition, or FY 2025-26, are \$106,500 increasing to \$209,700 in FY 2033-34.

Figure 26 displays the City Council forecast:

**CITY COUNCIL  
PROPOSED BOUNDARY**

| Item Detail and Assumptions             | Transition<br>7/1/24 | 12 Month Period Beginning |                   |                   |                   |                   |                   |                   |                   |                   |        |
|---|----------------------|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------|
|   |                      | 7/1/25                    | 7/1/26            | 7/1/27            | 7/1/28            | 7/1/29            | 7/1/30            | 7/1/31            | 7/1/32            | 7/1/33            |        |
| <b>Department Expenditures</b>          |                      |                           |                   |                   |                   |                   |                   |                   |                   |                   |        |
| City Council Stipend                    | \$ 73,200            | 80,700                    | 89,700            | 98,400            | 105,800           | 113,600           | 121,200           | 129,100           | 136,600           | 144,000           |        |
| Peer Cities Estimate 21-22 <sup>1</sup> | 62,180               |                           |                   |                   |                   |                   |                   |                   |                   |                   |        |
| Growth Rate                             | 2.6%                 |                           |                   |                   |                   |                   |                   |                   |                   |                   |        |
| <b>Operations &amp; Maintenance</b>     | <b>\$ 24,300</b>     | <b>26,800</b>             | <b>29,800</b>     | <b>32,700</b>     | <b>35,200</b>     | <b>37,800</b>     | <b>40,300</b>     | <b>42,900</b>     | <b>45,400</b>     | <b>47,900</b>     |        |
| Trial Balance 21-22                     | 20,668               |                           |                   |                   |                   |                   |                   |                   |                   |                   |        |
| Growth Rate                             | 2.6%                 |                           |                   |                   |                   |                   |                   |                   |                   |                   |        |
| <b>Travel and Membership</b>            | <b>\$ 9,000</b>      | <b>10,000</b>             | <b>11,100</b>     | <b>12,100</b>     | <b>13,100</b>     | <b>14,000</b>     | <b>15,000</b>     | <b>15,900</b>     | <b>16,900</b>     | <b>17,800</b>     |        |
| Peer Cities Estimate 21-22              | 7,675                |                           |                   |                   |                   |                   |                   |                   |                   |                   |        |
| Growth Rate                             | 2.6%                 |                           |                   |                   |                   |                   |                   |                   |                   |                   |        |
| <b>TOTAL</b>                            | <b>\$ 106,500</b>    | <b>\$ 117,500</b>         | <b>\$ 130,600</b> | <b>\$ 143,200</b> | <b>\$ 154,100</b> | <b>\$ 165,400</b> | <b>\$ 176,500</b> | <b>\$ 187,900</b> | <b>\$ 198,900</b> | <b>\$ 209,700</b> |        |
| <hr/>                                   |                      |                           |                   |                   |                   |                   |                   |                   |                   |                   |        |
| Population for Per Capita Estimate      | 27,032               |                           |                   |                   |                   |                   |                   |                   |                   |                   |        |
| Projected Population (Proposal)         | 27,032               | 30,209                    | 32,451            | 35,136            | 37,568            | 39,375            | 41,183            | 42,820            | 44,434            | 45,812            | 47,064 |

<sup>1</sup> Peer Cities used for this CFA: Eastvale, Wildomar, Menifee, Lathrop, Yucca Valley, Oakley, & Yucaipa

Figure 26 – City Council

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## CITY CLERK

A District Clerk serves the MHCS D Board and sits within the Administration Department. Upon incorporation, the CFA assumes the City will reclassify the current District Clerk position.<sup>36</sup> Projected salaries and benefits for the City Clerk position were determined using FY 2021-22 salary and benefit schedules posted by MHCS D for the existing District Clerk. In the CFA, the Clerk Department is a separate entity from its current parent department, Administration. This is by no means a binding status and should the City see fit, the City Clerk could remain as a division of the Administration Department.

A Clerk's office is responsible for preparing and distributing agendas, keeping minutes for legislative and committee meetings, maintaining City documents including resolutions and municipal codes, and responding to public record requests. The operations and maintenance forecast, in Figure 27, includes the cost to administer local elections. In FY 2024-25, the City is projected to spend \$898,700 in the City Clerk's Department increasing to \$1.6 million in 2033-34. The City Clerk is the only staff position projected in the CFA in this Department.

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<sup>36</sup> The City Council will appoint the City Clerk.





**CITY CLERK  
PROPOSED BOUNDARY**

| Item Detail and Assumptions        |            |                  |      | 12 Month Period Beginning |                   |                     |                     |                     |                     |                     |                     |                     |                     |  |
|------------------------------------|------------|------------------|------|---------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|
|                                    | Transition |                  |      | 7/1/24                    | 7/1/25            | 7/1/26              | 7/1/27              | 7/1/28              | 7/1/29              | 7/1/30              | 7/1/31              | 7/1/32              | 7/1/33              |  |
| Department Expenditures            |            |                  |      |                           |                   |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Salaries and Benefits              | Salary     | BSR <sup>1</sup> | Δ    |                           |                   |                     |                     |                     |                     |                     |                     |                     |                     |  |
| City Clerk                         | 179,593    | 60%              | 2.6% | \$ 301,800                | \$ 309,700        | \$ 317,900          | \$ 326,200          | \$ 334,800          | \$ 343,600          | \$ 352,600          | \$ 361,900          | \$ 371,400          | \$ 381,200          |  |
| Operations and Maintenance         |            |                  |      | \$ 596,900                | 658,100           | 731,300             | 802,400             | 863,200             | 926,600             | 988,700             | 1,053,000           | 1,114,200           | 1,174,700           |  |
| Peer Cities Estimate 21-22         | 507,119    |                  |      |                           |                   |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Growth Rate                        | 2.6%       |                  |      |                           |                   |                     |                     |                     |                     |                     |                     |                     |                     |  |
| <b>TOTAL</b>                       |            |                  |      | <b>\$ 898,700</b>         | <b>\$ 967,800</b> | <b>\$ 1,049,200</b> | <b>\$ 1,128,600</b> | <b>\$ 1,198,000</b> | <b>\$ 1,270,200</b> | <b>\$ 1,341,300</b> | <b>\$ 1,414,900</b> | <b>\$ 1,485,600</b> | <b>\$ 1,555,900</b> |  |
| Population for Per Capita Estimate | 27,032     |                  |      |                           |                   |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Projected Population (Proposal)    | 27,032     |                  |      | 30,209                    | 32,451            | 35,136              | 37,568              | 39,375              | 41,183              | 42,820              | 44,434              | 45,812              | 47,064              |  |

<sup>1</sup> BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.

Figure 27 – City Clerk

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## ADMINISTRATION

The Administration Department will oversee building maintenance, rent, office supplies, cost and fee studies, research, and memberships. Administrative functions currently provided by MHCS D staff and contractors, including the Human Resources and Risk Management divisions, will transfer to the City in the transition year. The City Manager, currently staffed by the MHCS D as a General Manager, and an Office Assistant will also stay in the Administration Department. Additionally, MHCS D is expected to hire a Deputy General Manager in the near future. The CFA assumes this position will stay on after incorporation as the Deputy City Manager. Three services are not projected as part of this Department in this CFA but are a currently part of the existing District Department: City Council, City Clerk, and City Attorney. These services are projected as separate divisions in this CFA. These services may be under Administration in the future based on Council or budgetary decisions.

Under the assumptions previously outlined in this CFA, 73 percent of the costs to run the Administration Department is projected to be expended out of the Special Tax funds. These expenditures will be applied to the fund corresponding to Special Tax Ordinance 96-1 for Roads, Operations, and Administration. This amounts to a reduction in costs to the General Fund of about \$1.2 million in the transition year, rising to \$2.1 million in FY 2033-34.

The Administration Department expenditures from the General Fund are projected to be \$453,000 in the transition year or FY 2024-25, increasing to \$765,000 by 2033-34. The forecast includes the costs to provide services to the City through the Human Resources and Risk Management Divisions. As described earlier on page 55, this CFA anticipates that the Special Taxes will fund a majority of the Department's forecasted expenditures in this CFA.

The Administration forecast is in Figure 28.

**ADMINISTRATION**  
**PROPOSED BOUNDARY**

| Item Detail and Assumptions              |            |                  |      | 12 Month Period Beginning |             |             |             |             |             |             |             |             |             |  |
|--|------------|------------------|------|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
|  | Transition |                  |      | 7/1/24                    | 7/1/25      | 7/1/26      | 7/1/27      | 7/1/28      | 7/1/29      | 7/1/30      | 7/1/31      | 7/1/32      | 7/1/33      |  |
| <b>Department Expenditures</b>           |            |                  |      |                           |             |             |             |             |             |             |             |             |             |  |
| <b>Salaries and Benefits<sup>2</sup></b> | Salary     | BSR <sup>1</sup> | Δ    |                           |             |             |             |             |             |             |             |             |             |  |
| City Manager                             | 213,274    | 53%              | 2.6% | \$ 342,900                | \$ 351,900  | \$ 361,100  | \$ 370,600  | \$ 380,400  | \$ 390,400  | \$ 400,700  | \$ 411,200  | \$ 422,000  | \$ 433,100  |  |
| Office Assistant                         | 44,907     | 105%             | 2.6% | \$ 97,000                 | 99,600      | 102,200     | 104,900     | 107,700     | 110,500     | 113,400     | 116,400     | 119,500     | 122,600     |  |
| Future Salaries <sup>3</sup>             |            |                  |      |                           |             |             |             |             |             |             |             |             |             |  |
| + Deputy City Manager                    | 103,452    | 107%             | 2.6% | \$ 225,900                | 231,900     | 238,000     | 244,200     | 250,600     | 257,200     | 264,000     | 270,900     | 278,100     | 285,400     |  |
| <b>Operations &amp; Maintenance</b>      |            |                  |      | \$ 377,600                | 416,300     | 462,700     | 507,700     | 546,100     | 586,200     | 625,500     | 666,200     | 704,900     | 743,200     |  |
| Trial Balance 21-22                      | 320,837    |                  |      |                           |             |             |             |             |             |             |             |             |             |  |
| Growth Rate                              | 2.6%       |                  |      |                           |             |             |             |             |             |             |             |             |             |  |
| <b>Human Resources Division</b>          |            |                  |      | \$ 129,900                | 143,200     | 159,100     | 174,600     | 187,800     | 201,600     | 215,100     | 229,100     | 242,400     | 255,600     |  |
| Trial Balance 21-22                      | 110,323    |                  |      |                           |             |             |             |             |             |             |             |             |             |  |
| Growth Rate                              | 2.6%       |                  |      |                           |             |             |             |             |             |             |             |             |             |  |
| <b>Risk Management Division</b>          |            |                  |      | \$ 505,600                | 557,400     | 619,400     | 679,700     | 731,100     | 784,800     | 837,500     | 891,900     | 943,700     | 995,000     |  |
| Trial Balance 21-22                      | 429,532    |                  |      |                           |             |             |             |             |             |             |             |             |             |  |
| Growth Rate                              | 2.6%       |                  |      |                           |             |             |             |             |             |             |             |             |             |  |
| Transfers Out to Special Tax Fund        |            |                  |      | \$ (1,225,597)            | (1,314,219) | (1,418,025) | (1,519,641) | (1,608,701) | (1,701,411) | (1,793,026) | (1,887,561) | (1,978,738) | (2,069,477) |  |
| <b>TOTAL</b>                             |            |                  |      | \$ 453,303                | \$ 486,081  | \$ 524,475  | \$ 562,059  | \$ 594,999  | \$ 629,289  | \$ 663,174  | \$ 698,139  | \$ 731,862  | \$ 765,423  |  |
| Population for Per Capita Estimate       | 27,032     |                  |      |                           |             |             |             |             |             |             |             |             |             |  |
| Projected Population (Proposal)          | 27,032     |                  |      | 30,209                    | 32,451      | 35,136      | 37,568      | 39,375      | 41,183      | 42,820      | 44,434      | 45,812      | 47,064      |  |

<sup>1</sup> BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.

<sup>2</sup> Existing Salaries and Benefits projections sourced from Mountain House's 21-22 Budget and the State Controller's Office

<sup>3</sup> Future Salaries projections are based on the assumption of new hires as reported to RSG from Mountain House, inclusive of County staff to be transferred

Figure 28 – Administration

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## **CITY ATTORNEY / LEGAL SERVICES**

The Legal Services Division provides comprehensive legal services including legal advice, research on municipal law matters, and approval of contracts, ordinances, and resolutions. The division also advises on personnel matters and will represent the City in litigation. Currently, MHCSD contracts these services through Meyers Nave Riback Silver & Wilson (“**Meyers Nave**”). The CFA assumes that the City will continue to contract with Meyers Nave upon incorporation.

Legal Services expenditures were estimated using the FY 2021-22 Audited Financials from MHCSD. Initial startup legal costs of \$50,000 in the transition year were projected using estimates from earlier incorporation studies. As mentioned previously, the current Legal Services Division of MHCSD is a division of the Administration Department. For the purposes of this CFA, RSG assumed a separate City Attorney Department. Legal Services costs are projected to be \$294,900 during the transition year, rising to \$481,900 in 2033-34.

Figure 29 shows the forecast for this Department.

**CITY ATTORNEY  
PROPOSED BOUNDARY**

| Item Detail and Assumptions        | 12 Month Period Beginning |                   |                   |                   |                   |                   |                   |                   |                   |                   |        |
|------------------------------------|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------|
|                                    | Transition<br>7/1/24      | 7/1/25            | 7/1/26            | 7/1/27            | 7/1/28            | 7/1/29            | 7/1/30            | 7/1/31            | 7/1/32            | 7/1/33            |        |
| <b>Department Expenditures</b>     |                           |                   |                   |                   |                   |                   |                   |                   |                   |                   |        |
| Contract Legal Services            | \$ 244,900                | \$ 270,000        | \$ 300,000        | \$ 329,200        | \$ 354,100        | \$ 380,100        | \$ 405,600        | \$ 432,000        | \$ 457,100        | \$ 481,900        |        |
| Trial Balance 21-22                | 208,034                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |        |
| Growth Rate                        | 2.6%                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |        |
| Supplemental Startup Legal Costs   | \$ 50,000                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |        |
| <b>TOTAL</b>                       | <b>\$ 294,900</b>         | <b>\$ 270,000</b> | <b>\$ 300,000</b> | <b>\$ 329,200</b> | <b>\$ 354,100</b> | <b>\$ 380,100</b> | <b>\$ 405,600</b> | <b>\$ 432,000</b> | <b>\$ 457,100</b> | <b>\$ 481,900</b> |        |
| Population for Per Capita Estimate | 27,032                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |        |
| Projected Population (Proposal)    | 27,032                    | 30,209            | 32,451            | 35,136            | 37,568            | 39,375            | 41,183            | 42,820            | 44,434            | 45,812            | 47,064 |

Figure 29 – City Attorney

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## FINANCE

The MHCSD Finance Department oversees the safekeeping, management, and accounting of the City's financial assets. The Department oversees the Customer Service and Information Technology Divisions and provides the MHCSD with accounting services, financial planning, budgeting, and financial reporting. The MHCSD Finance Department will continue its role upon incorporation.

Projected expenditures in the Finance Department forecast are based on the FY 2021-22 Audited Financials of the MHCSD. There are nine salaried positions projected to be a part of the City's Finance Department. Positions include an Administrative Services Director, Finance Director, Accounting Manager, Customer Service Supervisor, Accountant, Accounting Technicians, and a Management Analyst. The Administrative Services Director also oversees the Recreation Department. Therefore, costs for the position in Finance are reduced by 50 percent to account for time spent in Recreation. Two vacant positions, one for a Management Analyst and an Accounting Technician, are projected to be added to the MHCSD by the transition year. Salary expenditures are based on the 2021 MHCSD and SCO salary schedules and inflated by the CPI. Customer Service and Information Technology Division forecasts are exclusive of personnel costs, which are accounted for in the individual salary projections mentioned above.

MHCSD currently contracts with the County for its payroll. The CFA assumes the City will continue to contract with the County for these services upon incorporation. The cost to provide these services to the City are included in the Operations & Maintenance line item in the forecast.

Under the assumptions previously outlined in this CFA, 73 percent of the costs to run the Finance Department is projected to be expended out of the Special Tax funds. These expenditures will be applied to the fund corresponding to Special Tax Ordinance 96-1 for Roads, Operations, and Administration, though this is subject to LAFCO Counsel opinion. This amounts to a reduction of about \$1.8 million in the transition year, rising to \$2.7 million in FY 2033-34.

The Finance Department is forecasted to expend \$665,000 from the General Fund in the transition year, increasing to \$989,000 in 2033-34. No existing County services are expected to transfer to the City. The majority of the Department's expenditures are projected to be funded by Special Taxes as explained earlier in this CFA beginning on page 55.

The forecast for this Department is in Figure 30.



**FINANCE  
PROPOSED BOUNDARY**

| Item Detail and Assumptions               |   |                  |     | 12 Month Period Beginning |                |             |             |             |             |             |             |             |             |             |  |
|---|---|------------------|-----|---------------------------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
|   |   |                  |     | Transition<br>7/1/24      | 7/1/25         | 7/1/26      | 7/1/27      | 7/1/28      | 7/1/29      | 7/1/30      | 7/1/31      | 7/1/32      | 7/1/33      |             |  |
| <b>Department Expenditures</b>            |   |                  |     |                           |                |             |             |             |             |             |             |             |             |             |  |
| <b>Salaries and Benefits</b>              |   |                  |     |                           |                |             |             |             |             |             |             |             |             |             |  |
|   | Salary  | BSR <sup>1</sup> | Δ   |                           |                |             |             |             |             |             |             |             |             |             |  |
|   | Administrative Services Director <sup>2</sup> | 103,452          | 54% | 2.6%                      | \$ 167,900     | \$ 172,400  | \$ 176,900  | \$ 181,500  | \$ 186,300  | \$ 191,200  | \$ 196,300  | \$ 201,400  | \$ 206,700  | \$ 212,100  |  |
|   | Finance Director                              | 189,521          | 52% | 2.6%                      | \$ 303,600     | 311,500     | 319,700     | 328,100     | 336,800     | 345,600     | 354,700     | 364,100     | 373,600     | 383,500     |  |
|   | Accounting Manager                            | 158,961          | 72% | 2.6%                      | \$ 287,800     | 295,400     | 303,100     | 311,100     | 319,300     | 327,700     | 336,300     | 345,100     | 354,200     | 363,500     |  |
|   | Customer Service Supervisor                   | 112,973          | 93% | 2.6%                      | \$ 229,300     | 235,400     | 241,600     | 247,900     | 254,400     | 261,100     | 268,000     | 275,000     | 282,300     | 289,700     |  |
|   | Accountant I                                  | 90,264           | 61% | 2.6%                      | \$ 152,600     | 156,600     | 160,800     | 165,000     | 169,300     | 173,800     | 178,300     | 183,000     | 187,800     | 192,800     |  |
|   | Accounting Technician                         | 58,458           | 61% | 2.6%                      | \$ 98,800      | 101,400     | 104,100     | 106,800     | 109,700     | 112,500     | 115,500     | 118,500     | 121,700     | 124,900     |  |
|   | Management Analyst                            | 102,474          | 60% | 2.6%                      | \$ 173,100     | 177,600     | 182,300     | 187,100     | 192,000     | 197,000     | 202,200     | 207,500     | 213,000     | 218,600     |  |
| <b>Future Salaries<sup>3</sup></b>        |   |                  |     |                           |                |             |             |             |             |             |             |             |             |             |  |
|   | + Management Analyst                          | 102,474          | 60% | 2.6%                      | \$ 173,100     | 177,600     | 182,300     | 187,100     | 192,000     | 197,000     | 202,200     | 207,500     | 213,000     | 218,600     |  |
|   | + Accounting Technician                       | 58,458           | 61% | 2.6%                      | \$ 98,800      | 101,400     | 104,100     | 106,800     | 109,700     | 112,500     | 115,500     | 118,500     | 121,700     | 124,900     |  |
| <b>Operations &amp; Maintenance</b>       |   |                  |     |                           |                |             |             |             |             |             |             |             |             |             |  |
|   | Trial Balance 21-22                           | 487,498          |     |                           | \$ 573,800     | 632,600     | 703,000     | 771,400     | 829,800     | 890,700     | 950,500     | 1,012,200   | 1,071,100   | 1,129,300   |  |
|   | Growth Rate                                   | 2.6%             |     |                           |                |             |             |             |             |             |             |             |             |             |  |
| <b>Customer Services Division</b>         |   |                  |     |                           |                |             |             |             |             |             |             |             |             |             |  |
|   | Trial Balance 21-22                           | 67,962           |     |                           | \$ 80,000      | 88,200      | 98,000      | 107,500     | 115,700     | 124,200     | 132,500     | 141,100     | 149,300     | 157,400     |  |
|   | Growth Rate                                   | 2.6%             |     |                           |                |             |             |             |             |             |             |             |             |             |  |
| <b>Information Technology Division</b>    |   |                  |     |                           |                |             |             |             |             |             |             |             |             |             |  |
|   | Trial Balance 21-22                           | 108,230          |     |                           | \$ 127,400     | 140,400     | 156,100     | 171,300     | 184,200     | 197,700     | 211,000     | 224,700     | 237,800     | 250,700     |  |
|   | Growth Rate                                   | 2.6%             |     |                           |                |             |             |             |             |             |             |             |             |             |  |
| <b>Transfers Out to Special Tax Fund</b>  |   |                  |     |                           |                |             |             |             |             |             |             |             |             |             |  |
|   |   |                  |     |                           | \$ (1,800,326) | (1,891,065) | (1,994,360) | (2,096,268) | (2,189,416) | (2,285,630) | (2,381,990) | (2,480,978) | (2,578,506) | (2,676,180) |  |
| <b>TOTAL</b>                              |   |                  |     |                           |                |             |             |             |             |             |             |             |             |             |  |
|   |   |                  |     |                           | \$ 665,874     | \$ 699,435  | \$ 737,640  | \$ 775,332  | \$ 809,784  | \$ 845,370  | \$ 881,010  | \$ 917,622  | \$ 953,694  | \$ 989,820  |  |
| <b>Population for Per Capita Estimate</b> |   |                  |     |                           |                |             |             |             |             |             |             |             |             |             |  |
|   | Population for Per Capita Estimate            | 27,032           |     |                           |                |             |             |             |             |             |             |             |             |             |  |
|   | Projected Population (Proposal)               | 27,032           |     |                           | 30,209         | 32,451      | 35,136      | 37,568      | 39,375      | 41,183      | 42,820      | 44,434      | 45,812      | 47,064      |  |

<sup>1</sup> BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.

<sup>2</sup> The Administrative Services Director is part of the Finance and Recreation Departments. RSG assumes 50% of time spent in Finance and 50% in Recreation.

<sup>3</sup> Future Salaries projections are based on the assumption of new hires as reported to RSG from Mountain House, inclusive of County staff to be transferred

Figure 30 – Finance

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## COMMUNITY DEVELOPMENT

Community Development includes planning, building, construction management, and approval of project development and submittals. The Community Development Department oversees code enforcement for MHCSD, which involves the review and enforcement of MHCSD's CC&R's. Upon incorporation, the City will retain the staff from the existing Department including the Community Development Director, Associate Planner, Administrative Secretary, Engineer V, and a Senior Public Works Inspector. Additionally, MHCSD expects to fill vacancies for an Engineer II, and a Principal Planner prior to or immediately upon incorporation. The CFA assumes that this Department will have nine employees.

The County of San Joaquin will transfer a variety of services to the City including planning, building inspection, engineering, code enforcement services, compliance with environmental laws, field and construction inspections, assigning property addresses, permit issuance, construction drawing review, and review and approval of grading permits, parcel maps, and boundary line adjustments. These services are not currently under the jurisdiction of the MHCSD, but MHCSD partners closely with the County on all development projects. Using detailed data on fee revenues and their corresponding cost recovery ratios, RSG was able to back into the costs to provide the transferred County services. A per-permitted unit ratio was then used to project the costs forward, providing a more realistic forecast tied to construction rather than population growth.

After incorporation, the CFA includes the addition of two new employees in Community Development to handle former County services: another Assistant Planner and a Code Enforcement Officer. Code enforcement services transferring from the County are not to be confused with the code enforcement services that will remain in the Subsidiary District. The City would be responsible for the enforcement of the General Plan and Zoning Code, while the Subsidiary District will oversee enforcement of the CC&Rs.

The City would initially adopt the County's General Plan, subject to and relying on the underlying EIR, but would need to adopt its own General Plan, Housing Element, and certify associated environmental documentation within 30 months of incorporation.<sup>37</sup> Following the adoption of the General Plan, the City will need to adopt a zoning code. Based on estimates provided by local planning consultants and LAFCO staff, the cost of preparing or updating the General Plan, the corresponding EIR, and the Zoning Code is approximately \$1.5 million. The City can file for a two-year extension on top of the originally allowed 30 months allocated for preparation, which is a common practice.<sup>38</sup> The CFA assumes that the costs associated with the General Plan and Zoning Code are spread out over the first three years after the transition year. These costs are not projected per capita nor inflated.<sup>39</sup>

All remaining costs, exclusive of costs transferred from the County, are projected from base year actuals sourced by MHCSD's FY 2021-22 Audited Financials. Overall, the CFA projects Community Development Department expenditures from the General Fund to be \$4.5 million in the transition year. This fluctuates for the remainder of the forecast due to the cost of transferred services from the County being projected on a per-permit basis as opposed to per-capita. The costs for the Department reach as high as \$6.9 million in FY 2026-27 while sliding back down to \$5.2 million in FY 2033-34. A relatively small portion of the Department's expenditures are anticipated to be funded by Special Taxes, resulting in the General Fund largely responsible for costs of these services.

Figure 31 shows the Department forecast.

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<sup>37</sup> Government Code Section 65360

<sup>38</sup> Government Code Section 65631

<sup>39</sup> Due to the unpredictable nature of cost recovery, the CFA excludes a General Plan fee that many cities charge to help defray the cost of a General Plan Update.





| COMMUNITY DEVELOPMENT<br>PROPOSED BOUNDARY                           |           |                  |      | 12 Month Period Beginning |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|--|-----------|------------------|------|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Item Detail and Assumptions  |           |                  |      | Transition<br>7/1/24      | 7/1/25              | 7/1/26              | 7/1/27              | 7/1/28              | 7/1/29              | 7/1/30              | 7/1/31              | 7/1/32              | 7/1/33              |
| <b>Department Expenditures</b>                                       |           |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Salaries &amp; Benefits</b>                                       |           |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|  | Salary    | BSR <sup>1</sup> | Δ    |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Community Development Director                                       | 229,963   | 51%              | 2.6% | \$ 366,600                | \$ 376,300          | \$ 386,200          | \$ 396,300          | \$ 406,700          | \$ 417,400          | \$ 428,400          | \$ 439,700          | \$ 451,300          | \$ 463,100          |
| Administrative Secretary   | 76,068    | 62%              | 2.6% | \$ 130,200                | 133,600             | 137,100             | 140,700             | 144,400             | 148,200             | 152,100             | 156,100             | 160,200             | 164,500             |
| Engineer V   | 162,107   | 52%              | 2.6% | \$ 260,100                | 266,900             | 273,900             | 281,100             | 288,500             | 296,100             | 303,900             | 311,900             | 320,100             | 328,500             |
| Senior Public Works Inspector  | 101,985   | 95%              | 2.6% | \$ 209,500                | 215,000             | 220,700             | 226,500             | 232,400             | 238,500             | 244,800             | 251,200             | 257,900             | 264,600             |
| Associate Planner  | 92,934    | 68%              | 2.6% | \$ 164,900                | 169,200             | 173,600             | 178,200             | 182,900             | 187,700             | 192,600             | 197,700             | 202,900             | 208,300             |
| <b>Future Salaries</b>   |           |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| + Principal Planner  | 132,742   | 70%              | 2.6% | \$ 237,300                | 243,600             | 250,000             | 256,500             | 263,300             | 270,200             | 277,300             | 284,600             | 292,100             | 299,800             |
| + Engineer II  | 126,415   | 57%              | 2.6% | \$ 209,600                | 215,100             | 220,800             | 226,600             | 232,600             | 238,700             | 245,000             | 251,400             | 258,000             | 264,800             |
| + Associate Planner <sup>2</sup>                                     | 92,934    | 68%              | 2.6% | \$ -                      | 169,200             | 173,600             | 178,200             | 182,900             | 187,700             | 192,600             | 197,700             | 202,900             | 208,300             |
| + Code Enforcement Officer <sup>2</sup>                              | 91,596    | 77%              | 2.6% | \$ -                      | 175,200             | 179,800             | 184,500             | 189,400             | 194,400             | 199,500             | 204,700             | 210,100             | 215,600             |
| <b>Operations &amp; Maintenance</b>                                  |           |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Trial Balance 21-22  | 485,659   |                  |      | \$ 571,700                | 630,200             | 700,300             | 768,500             | 826,600             | 887,400             | 946,900             | 1,008,400           | 1,067,000           | 1,125,000           |
| Growth Rate  | 2.6%      |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>General Plan, EIR, and Zoning Update<sup>3</sup></b>              |           |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Consultant Estimate  | 500,000   |                  |      | \$ -                      | 500,000             | 500,000             | 500,000             | -                   | -                   | -                   | -                   | -                   | -                   |
| Growth Rate  | 2.6%      |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Additional County Planning &amp; Code Enforcement<sup>4</sup></b> |           |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| County CDD Estimate  | 243,291   |                  |      | \$ 397,218                | 516,895             | 619,251             | 560,544             | 416,711             | 417,006             | 377,432             | 372,116             | 317,665             | 288,728             |
| Cost Per Permit  | 787       |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Additional County Building Inspection Costs<sup>4</sup></b>       |           |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| County CDD Estimate  | 1,236,288 |                  |      | \$ 2,018,471              | 2,626,613           | 3,146,734           | 2,848,414           | 2,117,523           | 2,119,024           | 1,917,927           | 1,890,914           | 1,614,220           | 1,467,176           |
| Cost Per Permit  | 4,001     |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Transfers Out to Special Tax Fund</b>                             |           |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|  |           |                  |      | (51,852)                  | (59,285)            | (68,094)            | (69,625)            | (78,014)            | (84,787)            | (91,944)            | (98,396)            | (104,605)           | (110,404)           |
| <b>TOTAL</b>   |           |                  |      | <b>\$ 4,513,737</b>       | <b>\$ 6,178,524</b> | <b>\$ 6,913,891</b> | <b>\$ 6,676,433</b> | <b>\$ 5,405,921</b> | <b>\$ 5,517,544</b> | <b>\$ 5,386,515</b> | <b>\$ 5,468,034</b> | <b>\$ 5,249,780</b> | <b>\$ 5,188,000</b> |
| <b>Population for Per Capita Estimate</b>                            |           |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Population for Per Capita Estimate                                   | 27,032    |                  |      |                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Projected Population (Proposal)                                      | 27,032    |                  |      | 30,209                    | 32,451              | 35,136              | 37,568              | 39,375              | 41,183              | 42,820              | 44,434              | 45,812              | 47,064              |

<sup>1</sup> BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.

<sup>2</sup> Assumes the second Associate Planner and Code Enforcement Officer from the County would arrive after the transition year.

<sup>3</sup> General Plan, Environmental Impact Reporting (EIR), and Zoning update estimates sourced from RSG email inquiry/survey of relevant planning consultants in and around San Joaquin County.

<sup>4</sup> County planning and building costs transferred to the City are projected on a per-issued-permit basis.

Figure 31 – Community Development

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## PUBLIC WORKS

MHCSD operates its own Public Works Department that would transfer to the City upon incorporation. Public Works oversees the design and construction of publicly financed projects, asset management, and maintenance and operations of existing community facilities. There are three divisions within the current Department structure that are expected to remain in the City: Engineering, Regulatory Compliance, and Operations and Maintenance. Engineering will continue to provide general engineering services. The Regulatory and Compliance Division, through plan review and field inspection, will continue providing guidance in compliance with state and local construction laws. Operations and Maintenance will also continue to provide maintenance of the City's fleet, water, sewer, and storm drainage, park facilities, streets and roads, and signage. The CFA utilizes the MHCSD FY 2021-22 Audited Financials to determine base year cost estimates.

Most of the Public Works Department's funding will come from three of the four special taxes, which are included in the CFA. In the unlikely event the City's special taxes will not be able to cover the costs of services, other General Fund revenues will need to be utilized to subsidize the balance. Additionally, costs associated with the MHCSD's water and wastewater funds are not projected as they are outside of the scope of this CFA.

The City will continue to maintain a special Road Fund that is primarily funded by state gas tax revenues. In addition, the MHCSD has three Lighting and Landscape Maintenance Districts ("LLMD"). This CFA assumes these districts will transfer to the City. The LLMDs are funded primarily by property taxes. Public Works Department expenditures related to both the Road Fund and LLMD funds have been allocated to said funds in Appendices 2 and 3.

The CFA assumes Public Works will maintain its pre-incorporation levels, with the addition of three staff: a Maintenance Worker II, Engineer V, and a Utility Manager prior to or upon incorporation.<sup>40</sup> The Public Works Director, Operations & Maintenance Superintendent, Maintenance Worker II, Senior Maintenance Worker, Engineer V, Engineer II, Landscape Supervisor, and two Administrative Assistants are all projected to remain in the Department. This CFA includes the costs of eleven Public Works positions.

Following incorporation, the City will be responsible for meeting federal clean water requirements, including maintaining a National Pollution Discharge Elimination System ("NPDES") permit. The NPDES program addresses urban runoff issues through public education, storm drain clearance, monitoring of intake and release infrastructure, and public improvements to increase water quality.

The City would likely join the County, as well as the cities of Tracy, Lodi, Lathrop, and Patterson<sup>41</sup> to implement the Multi-Agency Post Construction Stormwater Standards. These standards were developed to provide guidance for developers and builders to implement requirements for stormwater standards required by state law. The City would be responsible for implementing and monitoring these standards.

Valley Waste Disposal provides recycling and waste management services to the MHCSD. The CFA assumes the continuation of this contract through the term of the analysis.

Additional expenditures include utility costs not associated with any District proprietary funds and plan check costs from the County. The utility costs cover the utility costs relating to electricity, street lighting, and traffic signals.<sup>42</sup> The CFA calculated plan check service costs from data provided by the County Community Development Department.

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<sup>40</sup> Per discussions with MHCSD staff.

<sup>41</sup> City of Patterson is in Stanislaus County.

<sup>42</sup> MHCSD FY 2021-22 Audited Financials

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The municipal operations of the Public Works Department not covered by the Road or LLMD funds, are projected to have all costs funded by the Special Tax funds in this CFA. In the transition year or FY 2024-25, costs transferred include \$1 million to the fund for Special Tax Ordinance 96-4 for Public Works, \$48,000 to the fund for Special Tax Ordinance 96-3 for Parks, and \$3.7 million to the fund for Special Tax Ordinance 96-1 for Roads, Operations, and Administration. Therefore, no costs are projected in the General Fund in this CFA. A breakdown of the applicable Public Works expenditures in the Special Tax funds are shown in Appendix 9.

Figure 32 shows the detailed projection of the expenditures for Public Works.



**PUBLIC WORKS  
PROPOSED BOUNDARY**

| Item Detail and Assumptions                                | Transition |                  |        | 12 Month Period Beginning |             |             |             |             |             |             |             |             |             |
|--|------------|------------------|--------|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 7/1/24     | 7/1/25           | 7/1/26 | 7/1/27                    | 7/1/28      | 7/1/29      | 7/1/30      | 7/1/31      | 7/1/32      | 7/1/33      |             |             |             |
| <b>Department Expenditures</b>                             |            |                  |        |                           |             |             |             |             |             |             |             |             |             |
| <b>Salaries &amp; Benefits</b>                             | Salary     | BSR <sup>1</sup> | Δ      |                           |             |             |             |             |             |             |             |             |             |
| Public Works Director                                      | 206,905    | 76%              | 2.6%   | \$ 382,800                | \$ 392,900  | \$ 403,200  | \$ 413,800  | \$ 424,700  | \$ 435,900  | \$ 447,400  | \$ 459,100  | \$ 471,200  | \$ 483,600  |
| Operations and Maintenance Superintendent                  | 136,676    | 64%              | 2.6%   | \$ 236,100                | 242,300     | 248,600     | 255,200     | 261,900     | 268,800     | 275,800     | 283,100     | 290,500     | 298,200     |
| Maintenance Worker II                                      | 57,879     | 95%              | 2.6%   | \$ 118,800                | 122,000     | 125,200     | 128,500     | 131,900     | 135,300     | 138,900     | 142,500     | 146,300     | 150,100     |
| Senior Maintenance Worker                                  | 85,106     | 80%              | 2.6%   | \$ 161,800                | 166,000     | 170,400     | 174,900     | 179,500     | 184,200     | 189,000     | 194,000     | 199,100     | 204,300     |
| Engineer V   | 162,107    | 52%              | 2.6%   | \$ 260,100                | 266,900     | 273,900     | 281,100     | 288,500     | 296,100     | 303,900     | 311,900     | 320,100     | 328,500     |
| Engineer II  | 126,415    | 57%              | 2.6%   | \$ 209,600                | 215,100     | 220,800     | 226,600     | 232,600     | 238,700     | 245,000     | 251,400     | 258,000     | 264,800     |
| Landscape Supervisor                                       | 112,984    | 73%              | 2.6%   | \$ 205,800                | 211,200     | 216,800     | 222,500     | 228,300     | 234,300     | 240,500     | 246,800     | 253,300     | 260,000     |
| Administrative Assistant (2x)                              | 87,242     | 71%              | 2.6%   | \$ 313,400                | 321,600     | 330,100     | 338,800     | 347,700     | 356,800     | 366,200     | 375,800     | 385,700     | 395,800     |
| <b>Future Salaries<sup>2</sup></b>                         |            |                  |        |                           |             |             |             |             |             |             |             |             |             |
| + Maintenance Worker II                                    | 57,879     | 95%              | 2.6%   | \$ 118,800                | 122,000     | 125,200     | 128,500     | 131,900     | 135,300     | 138,900     | 142,500     | 146,300     | 150,100     |
| + Engineer V   | 162,107    | 52%              | 2.6%   | \$ 260,100                | 266,900     | 273,900     | 281,100     | 288,500     | 296,100     | 303,900     | 311,900     | 320,100     | 328,500     |
| + Utility Manager  | 139,371    | 69%              | 2.6%   | \$ 247,900                | 254,400     | 261,100     | 267,900     | 275,000     | 282,200     | 289,600     | 297,300     | 305,100     | 313,100     |
| <b>Engineering Division</b>                                |            |                  |        | \$ 504,900                | 556,700     | 618,600     | 678,800     | 730,200     | 783,800     | 836,400     | 890,700     | 942,500     | 993,700     |
| Trial Balance 21-22  | 428,970    |                  |        |                           |             |             |             |             |             |             |             |             |             |
| Growth Rate  | 2.6%       |                  |        |                           |             |             |             |             |             |             |             |             |             |
| <b>Regulatory Compliance Division</b>                      |            |                  |        | \$ 7,500                  | 8,300       | 9,200       | 10,100      | 10,800      | 11,600      | 12,400      | 13,200      | 14,000      | 14,800      |
| Trial Balance 21-22  | 6,373      |                  |        |                           |             |             |             |             |             |             |             |             |             |
| Growth Rate  | 2.6%       |                  |        |                           |             |             |             |             |             |             |             |             |             |
| <b>Operations &amp; Maintenance Division</b>               |            |                  |        | \$ 1,246,200              | 1,373,900   | 1,526,800   | 1,675,300   | 1,802,100   | 1,934,500   | 2,064,200   | 2,198,400   | 2,326,200   | 2,452,600   |
| Trial Balance 21-22  | 1,058,748  |                  |        |                           |             |             |             |             |             |             |             |             |             |
| Growth Rate  | 2.6%       |                  |        |                           |             |             |             |             |             |             |             |             |             |
| Utilities (Electricity, Traffic Signal, & Street Lighting) |            |                  |        | \$ 290,200                | 320,000     | 355,600     | 390,200     | 419,700     | 450,500     | 480,700     | 512,000     | 541,700     | 571,200     |
| Trial Balance 21-22  | 246,572    |                  |        |                           |             |             |             |             |             |             |             |             |             |
| Growth Rate  | 2.6%       |                  |        |                           |             |             |             |             |             |             |             |             |             |
| <b>Additional County Plan Check Costs<sup>3</sup></b>      |            |                  |        | \$ 246,998                | 321,416     | 385,063     | 348,558     | 259,119     | 259,303     | 234,695     | 231,389     | 197,531     | 179,537     |
| County CDD Estimate  | 151,284    |                  |        |                           |             |             |             |             |             |             |             |             |             |
| Growth Rate  | 2.6%       |                  |        |                           |             |             |             |             |             |             |             |             |             |
| <b>Transfers Out to Special Tax Fund</b>                   |            |                  |        | \$ (4,810,998)            | (5,161,616) | (5,544,463) | (5,821,858) | (6,012,419) | (6,303,403) | (6,567,495) | (6,861,989) | (7,117,631) | (7,388,837) |
| <b>TOTAL</b>   |            |                  |        | \$ -                      | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Population for Per Capita Estimate                         | 27,032     |                  |        |                           |             |             |             |             |             |             |             |             |             |
| Projected Population (Proposal)                            | 27,032     |                  |        | 30,209                    | 32,451      | 35,136      | 37,568      | 39,375      | 41,183      | 42,820      | 44,434      | 45,812      | 47,064      |

<sup>1</sup> BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.  
<sup>2</sup> Future Salaries projections are based on the assumption of new hires as reported to RSG from Mountain House, inclusive of County staff to be transferred  
<sup>3</sup> County plan check costs transferred to the City are projected on a per-issued-permit basis.

Figure 32 – Public Works

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## **ANIMAL CONTROL**

MHCSO currently receives Animal Control services through the San Joaquin County Sheriff's Department, who provides the service through a contract with the City of Stockton. The CFA assumes the services will continue after incorporation.

Projected costs for Animal Control are based on information provided by the San Joaquin County Sheriff and the City of Stockton. Total costs for Animal Control are projected to be \$88,100 in the transition year or FY 2024-25. Forecasts increase to \$173,400 in the final year of the forecast or FY 2033-34. Consistent with the Special Tax ordinances, all projected costs for Animal Control services are projected to be funded by Special Tax Ordinance 96-2 for Public Safety and therefore are not a net impact on the new City General Fund.

Figure 33 shows the forecast:



**ANIMAL CONTROL  
PROPOSED BOUNDARY**

| Item Detail and Assumptions        | Transition<br>7/1/24 | 12 Month Period Beginning |             |             |             |             |             |             |             |             |        |
|------------------------------------|----------------------|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------|
|                                    |                      | 7/1/25                    | 7/1/26      | 7/1/27      | 7/1/28      | 7/1/29      | 7/1/30      | 7/1/31      | 7/1/32      | 7/1/33      |        |
| <b>Department Expenditures</b>     |                      |                           |             |             |             |             |             |             |             |             |        |
| County Sheriff Contract            |                      |                           |             |             |             |             |             |             |             |             |        |
| Direct Personnel                   | \$ 32,600            | \$ 36,000                 | \$ 40,000   | \$ 43,900   | \$ 47,200   | \$ 50,700   | \$ 54,100   | \$ 57,600   | \$ 60,900   | \$ 64,200   |        |
| 21-22 Base Cost                    | 27,735               |                           |             |             |             |             |             |             |             |             |        |
| Growth Rate                        | 2.6%                 |                           |             |             |             |             |             |             |             |             |        |
| Supplies and Services              | \$ 10,000            | 11,000                    | 12,200      | 13,400      | 14,400      | 15,400      | 16,500      | 17,600      | 18,600      | 19,600      |        |
| 21-22 Base Cost                    | 8,455                |                           |             |             |             |             |             |             |             |             |        |
| Growth Rate                        | 2.6%                 |                           |             |             |             |             |             |             |             |             |        |
| Centrally Budgeted & Pound Fees    | \$ 44,700            | 49,300                    | 54,800      | 60,100      | 64,700      | 69,400      | 74,100      | 78,900      | 83,500      | 88,000      |        |
| 21-22 Base Cost                    | 38,008               |                           |             |             |             |             |             |             |             |             |        |
| Growth Rate                        | 2.6%                 |                           |             |             |             |             |             |             |             |             |        |
| Capital Outlay                     | \$ 800               | 900                       | 1,000       | 1,100       | 1,200       | 1,200       | 1,300       | 1,400       | 1,500       | 1,600       |        |
| 21-22 Base Cost                    | 677                  |                           |             |             |             |             |             |             |             |             |        |
| Growth Rate                        | 2.6%                 |                           |             |             |             |             |             |             |             |             |        |
| Transfers Out to Special Tax Fund  | (88,100)             | (97,200)                  | (108,000)   | (118,500)   | (127,500)   | (136,700)   | (146,000)   | (155,500)   | (164,500)   | (173,400)   |        |
| <b>TOTAL</b>                       | <b>\$ -</b>          | <b>\$ -</b>               | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> |        |
| <hr/>                              |                      |                           |             |             |             |             |             |             |             |             |        |
| Population for Per Capita Estimate | 27,032               |                           |             |             |             |             |             |             |             |             |        |
| Projected Population (Proposal)    | 27,032               | 30,209                    | 32,451      | 35,136      | 37,568      | 39,375      | 41,183      | 42,820      | 44,434      | 45,812      | 47,064 |

*Figure 33 – Animal Control*

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## LAW ENFORCEMENT

The City of Mountain House will provide law enforcement through crime prevention, investigations, and traffic management, among other services. There is currently no standalone department or division for law enforcement in the MHCS D. MHCS D contracts with San Joaquin County Sheriff's Department, the California Highway Patrol ("CHP") and a private security firm, Rank Investigations. The contract with the Sheriff's Department, however, is only for supplemental law enforcement above the base level provided to unincorporated areas. As an unincorporated area, MHCS D receives a certain amount of police protection as part of the duties of the County to all unincorporated areas. This service is not currently paid for by MHCS D but will be the responsibility of the City upon incorporation.

The CFA calculated the contracted Law Enforcement expenditures from MHCS D's FY 2021-22 audited financials. Base level services were calculated using calls for service data provided by the Sheriff and applying MHCS D's percentage share of those calls to the total net cost of Sheriff services for the County. MHCS D, as of FY 2021-22, accounts for 4.85 percent of the total calls for service the Sheriff's Department receives. RSG next determined the total net costs for the County by excluding certain costs that the future City would not be responsible for as well as those that are accounted for in another department. These included services classified under the Probations, Detentions, and Corrections category, Special Services Division, Animal Control, and the City of Lathrop's contract. RSG then netted out the existing Mountain House contract to arrive at the base level cost. The Sheriff, however, did not provide direct data showing expenditures made as part of their base level services<sup>43</sup>. RSG notes that if the Sheriff or County were to provide a precise calculation, the resulting number may materially alter the results of this CFA.

The three service providers for law enforcement in MHCS D complement one another. The Sheriff covers the general policing of the area and acts as the MHCS D's official police department. CHP provides public safety services for traffic and speed management. Rank Investigations provides supplemental private security patrol services. Based on discussions with MHCS D staff, RSG assumed that this three-pronged approach to public safety will continue upon incorporation. It is worth noting that future negotiations with each public safety contractor may result in changes that alter the assumptions in this CFA.

Future Law Enforcement staffing assumptions for the City of Mountain House are based upon a per capita calculation plus a growth rate of 5.4 percent. RSG determined the growth rate by averaging the annual percent change in contract costs for MHCS D and the City of Lathrop from FY 2015-16 to 2021-22. However, the CFA does not forecast specific staffing increases or totals. As of March 2023, the Sheriff's Department, as part of the supplemental contract, provides seven patrol officers and one patrol sergeant to the MHCS D. Sheriff staffing for base level policing services was not provided. Rank Investigations staffs MHCS D with at least one officer for at least 16 hours per day, per the contract. In 2021, CHP provided traffic services to the MHCS D that included five arrests, 45 collision responses, and 123 citations. CHP did not provide staffing resource figures.

This CFA forecasts Law Enforcement expenditures from the General Fund of \$3.3 million in FY 2024-25. This includes \$2.3 million for the County Sheriff's supplemental policing, \$562,400 for Rank Investigations, \$16,800 for CHP, and \$2.8 million for the Sheriff's base level policing. Additionally, this CFA projects that \$2.4 million in costs will be covered by the Special Tax for Public Safety or Ordinance 96-2. The net General Fund costs climb to \$9.8 million in FY 2033-34, as shown in Figure 34.

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<sup>43</sup> The Sheriff, in addition to the calls-for-service percentage, did provide their estimate of total base level costs to Mountain House **inclusive of all services in the Sheriff's budget**. For the purposes of this CFA, however, RSG netted out costs (listed above) the City would not be responsible for.

**LAW ENFORCEMENT**  
 PROPOSED BOUNDARY

| Item Detail and Assumptions                        | Transition<br>7/1/24 | 12 Month Period Beginning |                     |                     |                     |                     |                     |                     |                     |                     |  |
|--|----------------------|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|
|  |                      | 7/1/25                    | 7/1/26              | 7/1/27              | 7/1/28              | 7/1/29              | 7/1/30              | 7/1/31              | 7/1/32              | 7/1/33              |  |
| <b>Department Expenditures</b>                     |                      |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| <b>Public Safety Contracts</b>                     |                      |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| County Sheriff CSD Contract <sup>1</sup>           | \$ 2,318,600         | \$ 2,625,700              | \$ 2,997,100        | \$ 3,378,100        | \$ 3,732,500        | \$ 4,115,500        | \$ 4,511,000        | \$ 4,934,700        | \$ 5,363,400        | \$ 5,808,600        |  |
| Trial Balance 21-22                                | 1,866,944            |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Growth Rate  | 5.4%                 |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Patrol Services - Rank Investigations <sup>2</sup> | \$ 562,400           | 636,800                   | 726,900             | 819,300             | 905,300             | 998,200             | 1,094,100           | 1,196,900           | 1,300,900           | 1,408,900           |  |
| Trial Balance 21-22                                | 452,819              |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Growth Rate  | 5.4%                 |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| California Highway Patrol - Traffic Services       | \$ 16,800            | 19,000                    | 21,700              | 24,500              | 27,000              | 29,800              | 32,700              | 35,700              | 38,900              | 42,100              |  |
| Trial Balance 21-22                                | 13,524               |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Growth Rate  | 5.4%                 |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Miscellaneous Expenses                             | \$ 25,100            | 28,400                    | 32,400              | 36,500              | 40,300              | 44,500              | 48,700              | 53,300              | 57,900              | 62,800              |  |
| Trial Balance 21-22                                | 20,170               |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Growth Rate  | 5.4%                 |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| County Sheriff Base Level Services <sup>1</sup>    | \$ 2,788,300         | 3,157,600                 | 3,604,200           | 4,062,400           | 4,488,600           | 4,949,200           | 5,424,800           | 5,934,400           | 6,450,000           | 6,985,400           |  |
| County Sheriff Estimate                            | 2,245,164            |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Growth Rate  | 5.4%                 |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Transfers Out to Special Tax Fund                  | \$ (2,402,832)       | (2,648,580)               | (2,933,704)         | (3,214,878)         | (3,456,470)         | (3,685,350)         | (3,915,035)         | (4,136,199)         | (4,341,254)         | (4,539,620)         |  |
| <b>TOTAL</b>                                       | <b>\$ 3,308,368</b>  | <b>\$ 3,818,920</b>       | <b>\$ 4,448,595</b> | <b>\$ 5,105,922</b> | <b>\$ 5,737,230</b> | <b>\$ 6,451,850</b> | <b>\$ 7,196,265</b> | <b>\$ 8,018,801</b> | <b>\$ 8,869,846</b> | <b>\$ 9,768,180</b> |  |
| Population for Per Capita Estimate                 | 27,032               |                           |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Projected Population (Proposal)                    | 27,032               | 30,209                    | 32,451              | 35,136              | 37,568              | 39,375              | 41,183              | 42,820              | 44,434              | 45,812              |  |

<sup>1</sup> County Sheriff Contracted Services exclude Animal Control in this analysis. Costs are projected on a per capita basis as well as by the Sheriff cost inflation rate (based on historical contract cost increases)

<sup>2</sup> Rank Investigations is a private security contractor utilized by the District for supplemental public safety services

Figure 34 – Law Enforcement



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## PARKS AND RECREATION

The MHCS D currently has a Recreation Department which will continue to provide the same services to the City after incorporation. MHCS D offers numerous parks and recreational opportunities for residents. The Recreation Department provides leadership, guidance, and support for recreational programs. The Department conducts registration activities, rents district facilities, oversees community events, and manages youth programs. Each Mountain House neighborhood features its own five-acre Village Park. Some villages have small neighborhood parks with additional play space for families. MHCS D currently maintains recreational facilities within the Proposed Boundary.

The City's major parks include Altamont Park, Bethany Park, Central Community Park, Creek Park, Questa Park, and Wicklund Park. Other amenities that will be inherited by the City include baseball diamonds, basketball courts, bocce courts, cricket pitch, tennis courts, and picnic areas. MHCS D established a Parks, Recreation and Leisure Plan in May 2021. The Plan anticipates 405 acres of parks at build-out, or 10.3 acres of park per 1,000 residents. The County requires five acres of park per 1,000 residents.

RSG assumes that the Recreation Department will have three City staff including the Administrative Services Director, Recreation Manager, and a future staff person for the Recreation and Communications Coordinator position. The Administrative Services Director also manages the Finance Department. RSG projected the costs for the Director at 50 percent for each department. Projected expenditures for services for the Recreation Department were based on the FY 2021-22 Audited Financials from MHCS D.

The CFA calculates total expenditures for the Recreation Department to be \$753,500, growing to \$1.1 million by FY 2033-34. Under the provisions of Special Tax Ordinance 96-3, all of this cost may be funded from Special Taxes collected by the new City.

Figure 35 shows the growth projections for the Department.

**RECREATION  
PROPOSED BOUNDARY**

| Item Detail and Assumptions                   |            |                  |      | 12 Month Period Beginning |            |            |            |            |            |            |             |             |             |
|---|------------|------------------|------|---------------------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
|   | Transition |                  |      | 7/1/24                    | 7/1/25     | 7/1/26     | 7/1/27     | 7/1/28     | 7/1/29     | 7/1/30     | 7/1/31      | 7/1/32      | 7/1/33      |
| <b>Department Expenditures</b>                |            |                  |      |                           |            |            |            |            |            |            |             |             |             |
| Salaries & Benefits                           | Salary     | BSR <sup>1</sup> | Δ    |                           |            |            |            |            |            |            |             |             |             |
| Administrative Services Director <sup>2</sup> | 103,452    | 54%              | 2.6% | \$ 167,900                | \$ 172,400 | \$ 176,900 | \$ 181,500 | \$ 186,300 | \$ 191,200 | \$ 196,300 | \$ 201,400  | \$ 206,700  | \$ 212,100  |
| Recreation Manager                            | 123,374    | 71%              | 2.6% | \$ 222,400                | 228,300    | 234,300    | 240,400    | 246,700    | 253,200    | 259,900    | 266,700     | 273,700     | 280,900     |
| Future Salaries <sup>3</sup>                  |            |                  |      |                           |            |            |            |            |            |            |             |             |             |
| + Recreation & Communications Coordinator     | 81,032     | 80%              | 2.6% | \$ 154,000                | 158,100    | 162,200    | 166,500    | 170,900    | 175,400    | 180,000    | 184,700     | 189,600     | 194,600     |
| Operations & Maintenance                      |            |                  |      | \$ 209,200                | 230,600    | 256,200    | 281,200    | 302,400    | 324,700    | 346,400    | 368,900     | 390,400     | 411,600     |
| Trial Balance 21-22                           | 177,687    |                  |      |                           |            |            |            |            |            |            |             |             |             |
| Growth Rate                                   | 2.6%       |                  |      |                           |            |            |            |            |            |            |             |             |             |
| Transfers Out to Special Tax Fund             |            |                  |      | \$ (753,500)              | (789,400)  | (829,600)  | (869,600)  | (906,300)  | (944,500)  | (982,600)  | (1,021,700) | (1,060,400) | (1,099,200) |
| <b>TOTAL</b>                                  |            |                  |      | \$ -                      | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -        | \$ -        | \$ -        |
| Population for Per Capita Estimate            | 27,032     |                  |      |                           |            |            |            |            |            |            |             |             |             |
| Projected Population (Proposal)               | 27,032     |                  |      | 30,209                    | 32,451     | 35,136     | 37,568     | 39,375     | 41,183     | 42,820     | 44,434      | 45,812      | 47,064      |

<sup>1</sup> BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.

<sup>2</sup> The Administrative Services Director is part of the Finance and Recreation Departments. RSG assumes 50% of time spent in Finance and 50% in Recreation.

<sup>3</sup> Future Salaries projections are based on the assumption of new hires as reported to RSG from Mountain House, inclusive of County staff to be transferred

Figure 35 – Recreation

**FIRE PROTECTION**

MHCSD, as of FY 21-22, contracts with the French Camp McKinley Rural County Fire Protection District (“French Camp McKinley”). French Camp McKinley also serves areas that are outside of the MHCSD boundary but will be within the Proposed Boundary. Services include fire protection, fire prevention, and emergency medical. One fire station in Mountain House currently houses five personnel and there are plans for a second station in the northern section of the Proposed Boundary. Between MHCSD and the other unincorporated areas, French Camp McKinley responds to approximately 1,800 calls per year. The Proposed Boundary also includes 10 parcels serviced by Tracy Rural Fire Protection District. Upon incorporation these parcels would detach from Tracy Rural and be the responsibility of the City. RSG assumes that the City of Mountain House would continue to contract with French Camp McKinley for fire protection, including the future areas to be detached from Tracy Rural.

If the Commission were to approve the LAFCO Alternative Boundary for incorporation, an additional 5 parcels in Tracy Rural’s service area would be included in the City of Mountain House. Figure 36 provides a summary of the lands serviced by Tracy Rural.

**Figure 36 – Summary of Lands serviced by Tracy Rural**

| <u>Lands Serviced by Tracy Rural</u> |                           |                    |
|--------------------------------------|---------------------------|--------------------|
| <i>Proposed</i>                      | <i>LAFCO Alt. Islands</i> |                    |
| 10                                   | 5                         | Parcels            |
| 19                                   | 10                        | Acres of Land      |
| \$ 6,214,312                         | \$ 4,327,258              | Assessed Valuation |

*Source: San Joaquin County 22-23 Tax Roll, Tracy Rural RFI Response March 14, 2022 and March 23, 2023*

Projected expenditures for fire protection services to the City as proposed were based on the FY 2021-22 Audited Financials provided by MHCSD. Specific information regarding staffing numbers, vehicles, and other equipment were not provided to RSG. The total expenditures from the General Fund for the proposed City’s fire services in the transition year of FY 2024-25, will be \$834,000. This is projected to rise to \$1.8 million by FY 2033-34, as demonstrated in Figure 37. As shown, a substantial portion of this cost may be paid from Special Tax revenues received by the new City, with the balance funded from the General Fund.

**FIRE PROTECTION  
 PROPOSED BOUNDARY**

| Item Detail and Assumptions           | Transition<br>7/1/24 | 12 Month Period Beginning |                     |                     |                     |                     |                     |                     |                     |                     |              |
|---------------------------------------|----------------------|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------|
|                                       |                      | 7/1/25                    | 7/1/26              | 7/1/27              | 7/1/28              | 7/1/29              | 7/1/30              | 7/1/31              | 7/1/32              | 7/1/33              |              |
| Department Expenditures               |                      |                           |                     |                     |                     |                     |                     |                     |                     |                     |              |
| Fire Protection Services <sup>1</sup> |                      | \$ 3,237,000              | \$ 3,568,700        | \$ 3,965,700        | \$ 4,351,600        | \$ 4,680,900        | \$ 5,024,600        | \$ 5,361,800        | \$ 5,710,200        | \$ 6,042,100        | \$ 6,370,500 |
| Trial Balance 21-22                   | \$ 2,750,044         |                           |                     |                     |                     |                     |                     |                     |                     |                     |              |
| Growth Rate                           | 2.6%                 |                           |                     |                     |                     |                     |                     |                     |                     |                     |              |
| Transfers Out to Special Tax Fund     | \$ (2,402,832)       | (2,648,580)               | (2,933,704)         | (3,214,878)         | (3,456,470)         | (3,685,350)         | (3,915,035)         | (4,136,199)         | (4,341,254)         | (4,539,620)         |              |
| <b>TOTAL</b>                          | <b>\$ 834,168</b>    | <b>\$ 920,120</b>         | <b>\$ 1,031,996</b> | <b>\$ 1,136,722</b> | <b>\$ 1,224,430</b> | <b>\$ 1,339,250</b> | <b>\$ 1,446,765</b> | <b>\$ 1,574,001</b> | <b>\$ 1,700,846</b> | <b>\$ 1,830,880</b> |              |
| Population for Per Capita Estimate    | 27,032               |                           |                     |                     |                     |                     |                     |                     |                     |                     |              |
| Projected Population (Proposal)       | 27,032               | 30,209                    | 32,451              | 35,136              | 37,568              | 39,375              | 41,183              | 42,820              | 44,434              | 45,812              | 47,064       |

<sup>1</sup> Fire Protection Services are provided by the French Camp McKinley Rural County Fire Protection District (French Camp Mckinley) and projected on a per capita, CPI adjusted basis

Figure 37 – Fire Protection

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## LIBRARY SERVICES

Currently, MHCS D is served by a Library Services Division which operates as a branch of the Stockton – San Joaquin County Unified Library System. The Division provides resources to access books, media, and the internet. It also enriches **resident’s lives**, **encouraging** a learning environment and offering a venue for gatherings. RSG assumes that the Library Services Division will continue to provide these services to the City of Mountain House.

Projected costs for Library Services are based on the FY 2021-22 Audited Financials provided by MHCS D. Forecasted expenditures start at \$188,100 in FY 2024-25, increasing to \$370,200 by FY 2033-34, as demonstrated in Figure 38. Because Library services are a permitted use of Special Tax Ordinance 96-3, these costs would be funded from the Special Tax fund of the new City.

**LIBRARY  
PROPOSED BOUNDARY**

| Item Detail and Assumptions        | Transition<br>7/1/24 | 12 Month Period Beginning |             |             |             |             |             |             |             |             |        |
|------------------------------------|----------------------|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------|
|                                    |                      | 7/1/25                    | 7/1/26      | 7/1/27      | 7/1/28      | 7/1/29      | 7/1/30      | 7/1/31      | 7/1/32      | 7/1/33      |        |
| Department Expenditures            |                      |                           |             |             |             |             |             |             |             |             |        |
| Library Services                   | \$ 188,100           | \$ 207,400                | \$ 230,400  | \$ 252,900  | \$ 272,000  | \$ 292,000  | \$ 311,500  | \$ 331,800  | \$ 351,100  | \$ 370,200  |        |
| Trial Balance 21-22                | 159,793              |                           |             |             |             |             |             |             |             |             |        |
| Growth Rate                        | 2.6%                 |                           |             |             |             |             |             |             |             |             |        |
| Transfers Out to Special Tax Fund  | \$ (188,100)         | (207,400)                 | (230,400)   | (252,900)   | (272,000)   | (292,000)   | (311,500)   | (331,800)   | (351,100)   | (370,200)   |        |
| <b>TOTAL</b>                       | <b>\$ -</b>          | <b>\$ -</b>               | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> |        |
| Population for Per Capita Estimate | 27,032               |                           |             |             |             |             |             |             |             |             |        |
| Projected Population (Proposal)    | 27,032               | 30,209                    | 32,451      | 35,136      | 37,568      | 39,375      | 41,183      | 42,820      | 44,434      | 45,812      | 47,064 |

*Figure 38 – Library*

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## NON-DEPARTMENTAL

After incorporation, the City should expect to have some uncategorized costs which don't neatly fall under any one department. At the writing of this CFA the only non-departmental cost identified would be LAFCO fees. These are based on an estimate provided by the San Joaquin County LAFCO. The fees help fund LAFCO business and operations, such as this CFA. This CFA projects non-Departmental expenditures to be \$11,000 in the transition year, rising to \$21,600 by FY 2033-34, as demonstrated in Figure 39.

**NON-DEPARTMENTAL  
PROPOSED BOUNDARY**

| Item Detail and Assumptions        |        | 12 Month Period Beginning |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|------------------------------------|--------|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                    |        | Transition<br>7/1/24      | 7/1/25           | 7/1/26           | 7/1/27           | 7/1/28           | 7/1/29           | 7/1/30           | 7/1/31           | 7/1/32           | 7/1/33           |
| <b>Department Expenditures</b>     |        |                           |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| LAFCO Fees                         |        | \$ 11,000                 | 12,100           | 13,400           | 14,700           | 15,900           | 17,000           | 18,200           | 19,300           | 20,500           | 21,600           |
| San Joaquin LAFCO Estimate         | 9,319  |                           |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Growth Rate                        | 2.6%   |                           |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>TOTAL</b>                       |        | <b>\$ 11,000</b>          | <b>\$ 12,100</b> | <b>\$ 13,400</b> | <b>\$ 14,700</b> | <b>\$ 15,900</b> | <b>\$ 17,000</b> | <b>\$ 18,200</b> | <b>\$ 19,300</b> | <b>\$ 20,500</b> | <b>\$ 21,600</b> |
| Population for Per Capita Estimate | 27,032 |                           |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Projected Population (Proposal)    | 27,032 | 30,209                    | 32,451           | 35,136           | 37,568           | 39,375           | 41,183           | 42,820           | 44,434           | 45,812           | 47,064           |

*Figure 39 – Non-Departmental*



## CONTINGENCY AND RESERVE FUND

RSG utilized a 10 percent contingency factor of estimated expenditures in these projections in case of unforeseeable expenses. The contingency is not a fund but is for unknown discretionary expenditures. The OPR Guidelines advise a contingency factor of 10-20 percent of costs, in addition to a reserve fund of at least 10 percent. Reserves protect a city against unforeseen events, be they legislative (such as the shifting of property taxes to school districts), economic, major disasters, emergencies, liability claims, litigation settlements, or pandemics. The COVID-19 Pandemic and related inflationary pressures also present difficulties for any city. Local jurisdictions are often unprepared for normal fluctuations in the economy, let alone another pandemic or related recession.

RSG analyzed and collected information on reserves in cities throughout California, with an emphasis on small cities and relatively young cities. The City of Mountain House's local tax base is much less diversified than most surveyed. RSG researched Eastvale and Wildomar, both recently incorporated cities, as well as Lathrop, chosen due to its similar population size and geographic proximity to the Proposed Boundary. Menifee, Yucca Valley, Oakley, and Yucaipa were compared due to being cities with relatively similar population sizes, population growth rates, and annual operating budgets as those of the City. The use of reserve funds varied widely across the cities and the average reserve amongst these cities is 56 percent.

Figure 40 presents a summary of these General Fund reserves based on recent research of cities' 2021-22 and 2022-23 budgets. Mountain House reserve figures of \$2.5 million represent the projected total sum of the 10 percent contingency for the first year after the transition year or FY 2025-26. Reserves currently held by the MHCSO are also expected to transfer to the City but are not shown in this table<sup>44</sup>.

**Figure 40 – General Fund Reserves**

| Peer Cities - Adopted Reserves                 | Mountain House<br>2025-26 | Eastvale<br>2021-22 | Wildomar<br>2021-22 | Menifee<br>2021-22 | Lathrop<br>2021-22 | Yucca Valley<br>2021-22 | Oakley<br>2021-22 | Yucaipa<br>2021-22 |
|--|---------------------------|---------------------|---------------------|--------------------|--------------------|-------------------------|-------------------|--------------------|
| <b>Fiscal Year Reviewed</b>                    |                           |                     |                     |                    |                    |                         |                   |                    |
| Total Operating Expenditures <sup>1</sup>      | \$ 14,817,479             | \$ 29,655,494       | \$ 15,620,100       | \$ 74,835,100      | \$ 26,772,978      | \$ 14,547,527           | \$ 27,953,559     | \$ 29,823,916      |
| Total Reserves <sup>2,3,4</sup>                | \$ 2,456,000              | \$ 14,133,584       | \$ 9,358,126        | \$ 51,177,085      | \$ 8,110,406       | \$ 13,084,805           | \$ 17,442,899     | \$ 10,781,774      |
| Percentage of Operating Revenue                | 17%                       | 48%                 | 60%                 | 68%                | 30%                | 90%                     | 62%               | 36%                |
| <b>Average Percentage of Operating Revenue</b> | <b>56%</b>                |                     |                     |                    |                    |                         |                   |                    |

<sup>1</sup> City Budgets, Adopted and Projected Actual 2021-22 Values, for MH: City expenditures excluding Special Tax Fund(s) expenditures

<sup>2</sup> City Budgets, Adopted and Projected Actual 2021-22 Values, Annual Comprehensive Financial Report FY 2021-22

<sup>3</sup> The total reserves include unassigned, restricted, risk management/ economic uncertainties, catastrophic, contingency/ administrative overhead, and public safety rate increases.

<sup>4</sup> Mountain House Reserves consist only of the sum of 2 years of 10% contingency

## SUBSIDIARY DISTRICT

As part of the incorporation application, MHCSO will remain a Subsidiary District to the City of Mountain House, with its sole responsibility being the enforcement of CC&Rs. Property taxes will fund the Subsidiary District and it may not be subsidized by the new City's General Fund. The CFA assumes that the two existing Code Enforcement Officers, who currently enforce CC&Rs, will continue to perform that work via the Subsidiary District. RSG determined costs by using the 2021-22 salary and benefits schedules provided by MHCSO and the 2021-22 Audited Financials. The City would be responsible for the enforcement of the General Plan and Zoning Code. The budget also includes the Subsidiary District's share of annual audit costs.

As described on page 41, the property tax exchange between MHCSO and the new City would differ from the formula under Government Code 56810(c) because the application of the formula would result in insufficient revenues available for the Subsidiary District's operations and a city is statutorily

<sup>44</sup> MHCSO as of June 30, 2022, possesses \$26.3 million in unassigned fund balance (ACFR FY 2021-22)

prohibited from transferring funds for this purpose. As a result, the property tax exchange anticipated to be approved by the Commission in its terms and conditions would ensure that a sufficient amount of property taxes remain with the Subsidiary District.

Figure 41 demonstrates that 1.011 percent of property taxes will pay for the operations of the Subsidiary District. The Subsidiary District cost and revenue forecast can be found in Appendix 6.

**Figure 41 – Calculation of the Subsidiary District Taxing Entity Share**

| Net Cost of Services Remaining in District                     | Net Costs for Subsidiary District |             |                   |
|--|-----------------------------------|-------------|-------------------|
|  | Costs                             | Revenues    |                   |
| Cost of CC&R Enforcement                                       | \$ 403,400                        | \$ -        | 403,400           |
| Audit  | 5,000                             | -           | 5,000             |
| <b>Total</b>   | <b>\$ 408,400</b>                 | <b>\$ -</b> | <b>\$ 408,400</b> |
| Base Year Property Tax Revenue Withheld for District (2021-22) |                                   |             | 408,400           |
| Property Tax Revenue Adjustment for AV Growth                  |                                   |             |                   |
| Total Assessed Valuation (2021-22)                             |                                   |             | 4,040,811,212     |
| Projected Assessed Valuation (2025-26)                         |                                   |             | 5,087,400,000     |
| Change in AV from 2021-22 to 2025-26                           |                                   |             | 25.90%            |
| Property Tax Revenue Adjusted for AV Growth                    |                                   |             | 514,177           |
| Property Tax Share Computation                                 |                                   |             |                   |
| Projected Assessed Valuation (2025-26)                         |                                   |             | 5,087,400,000     |
| General Tax Levy (1% of Assessed Value)                        |                                   |             | 50,874,000        |
| Property Tax Revenue Adjusted for AV Growth                    |                                   |             | 514,177           |
| <u>Property Tax Share to Subsidiary District</u>               |                                   |             | <u>1.011%</u>     |

## IMPACTS ON EXISTING AGENCIES

### COUNTY TRANSITION YEAR REPAYMENTS

During the transition year, if the City requests, the County would continue to be responsible for maintaining its current level of service for the City of Mountain House. Costs to provide services which will eventually transfer to the new City would be reimbursed by the City. The City has up to five years to reimburse the County for the net cost, unless waived by the County. The twelve-month transition period gives the City the opportunity to hire additional staff, initiate contracts for other services, and generally prepare for full assumption of municipal services in the following fiscal year. However, because the MHCSD provides a majority of municipal services delivered to Mountain House residents, it is not anticipated that such an arrangement is needed. The City of Mountain House would be expected to provide all previously outlined services in the transition year or FY 2024-25. This CFA assumes therefore that the County would not be owed any transition year reimbursement payments for continued services.

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To mitigate the potential adverse fiscal impacts on the City during the transition period if assumptions in this CFA about the timely transfer of funds do not occur, LAFCO's Terms and Conditions could provide a mechanism to address the potential issue. For example, in the event that property tax revenues assumed in this CFA cannot be shifted from the MHCS D and from the County to the new City in FY 2024-25, LAFCO Terms and Conditions could specify that these revenues shall be applied towards reimbursement of County transition year services; any additional funds received by the County during the transition year, in excess of reimbursements, that otherwise would have accrued to the City should be remitted by the County to the City.

### **REVENUE NEUTRALITY MITIGATION PAYMENTS**

In 1992, Senate Bill 1559 was implemented to reduce the negative fiscal impact incorporations can have on counties and other affected agencies. Pursuant to SB 1559, as codified in Government Code Section 56815, LAFCO cannot approve a proposal for incorporation unless it finds that the amount of revenues the new city received from the county and affected agencies after incorporation would be substantially equal to the amount of savings the county or the affected agencies would attain from no longer providing services to the proposed incorporation area. Incorporations should not occur primarily for financial reasons and, under the CKH Act, should result in a similar exchange of both revenue and responsibility for service delivery among affected agencies. Negative financial impacts to agencies must be identified and mitigation measures proposed.

As it stands, there are two affected agencies that are eligible to receive revenue neutrality payments, that being the County and Tracy Rural. No payment is projected in this CFA to go to the County. This is because the CFA estimates that incorporation will result in a net positive effect on the County. However, incorporation as projected in this CFA will have a minor net negative effect on Tracy Rural. As projected, Tracy Rural will experience a net loss in revenues of approximately \$5,200. The calculations used in this CFA are displayed for Tracy Rural in Figure 42.

#### ***Offsetting Capital Improvement Assistance from MHCS D to Tracy Rural***

It should be noted that the amount, duration, and terms of any revenue neutrality payments are all subject to negotiation between the affected agencies and the incorporation representatives. According to the LAFCO Executive Officer, Tracy Rural has benefitted from recent capital improvement assistance from MHCS D and it is probable that the Proponents may offset any claim for revenue neutrality payments to Tracy Rural by the contributions previously made by the MHCS D such that there may be no revenue neutrality payments to Tracy Rural.

RSG will update this CFA, should the parties reach agreement on a revenue neutrality program.

**Figure 42 – Tracy Rural Revenue Neutrality Payment**

PROPOSED BOUNDARY

**Potential Revenue Neutrality Payments based on Proposal Boundary**

|   |              |            |
|---|--------------|------------|
| Revenue Transferred                                     |              |            |
| Property Taxes  | <u>7,861</u> |            |
| Total Revenue Loss to Tracy Rural FPD                   |              | \$ (7,861) |
| Expenses Transferred (Net of Revenue Offsets)           |              |            |
| Cost of Calls for Service                               | <u>2,500</u> |            |
| Total Expenditure Reduction                             |              | \$ 2,500   |
| County Property Tax Admin. Fee of 0.73%                 |              | <u>100</u> |
| Net Revenue Impact to Tracy Rural - Positive/(Negative) |              | (5,261)    |
| Potential Revenue Neutrality Payment                    |              | \$ 5,261   |

## PROVISIONAL APPROPRIATIONS LIMIT

Figure 43 presents the provisional appropriations limit for the new City. The appropriations limit is the amount of money that a governmental agency can spend in one fiscal year. Also referred to as “The Gann Limit,” voters approved this initiative in 1979, setting the appropriations limits on governmental agencies. RSG calculated \$31,665,091 as the provisional appropriation limit based on Government Code Section 56812 and the City’s projected first fiscal year of full tax proceeds in 2025-26.

**Figure 43 – Appropriations Limit**

### PROPOSED BOUNDARY

#### 2025-26 Estimates

|                                      |               |
|--------------------------------------|---------------|
| Proceeds of Taxes to City            |               |
| Property Taxes                       | \$ 9,528,100  |
| Special Taxes                        | 18,073,589    |
| Sales Taxes (including in-lieu fees) | 174,200       |
| Property Transfer Taxes              | 611,400       |
| Off Highway Vehicle License          | 700           |
| Gas Taxes (2103)                     | 201,800       |
| Gas Taxes (2105)                     | 149,200       |
| Gas Taxes (2106)                     | 85,700        |
| Gas Taxes (2107)                     | 203,100       |
| Gas Taxes (2107.5)                   | 6,000         |
| Subtotal                             | 29,033,789    |
| Interest Earnings                    | 25,300        |
| Total                                | 29,059,089    |
| Cost of Living Factor <sup>1</sup>   | 2.63%         |
| Population Growth <sup>2</sup>       | 6.18%         |
| 2025-26 Provisional Limit            | \$ 31,665,091 |

<sup>1</sup> Consumer Price Index December 2013 to December 2022

<sup>2</sup> RSG Projected Population Growth 2022-2033

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## CONCLUSIONS

Appendices 1 through 7 present summary projections for the City's General & Special Tax Funds by scenario. Additionally, the Road Fund, Lighting & Landscape Maintenance District Funds, and an Affordable Housing Fund forecasts are shown for the Proposed Boundary. As stated earlier, the following conclusions assume no revenue neutrality payments, which may be altered should the parties reach agreement on a different payment structure. Should that occur, RSG will update the CFA accordingly.

### ***MHCS D Proposed Boundary***

After assessing the MHCS D's application to LAFCO, RSG made the following conclusions:

- **Projected General Fund Revenue Surplus (before Potential Revenue Neutrality Payments):** Based on the assumptions and analysis described herein, the City's potential General Fund, accounting for Special Tax fund revenues used for municipal services, ***will produce a surplus in each year of the analysis***. This surplus is maintained even after accounting for potential revenue neutrality payments and deposits in the reserve fund.

See Appendix 1 for a forecast of the General Fund for the City of Mountain House under the Proposed Boundary and Appendix 9 for a forecast of the Special Tax funds.

- **Retention of CC&R Enforcement in the MHCS D as a Subsidiary District of the City:** The application for incorporation proposes to divest MHCS D of all of its statutorily authorized powers except the power to enforce Covenants, Conditions & Restrictions ("CC&Rs") within its boundaries and establishing MHCS D as a subsidiary district of the City. A small transfer of property taxes will fund the Subsidiary District to cover its costs of operations.
- **Revenue Neutrality Payment Estimates:** Section 56815 of the CKH Act establishes the ability for agencies detrimentally affected by incorporation to negotiate for payments when revenues lost to a new city are not offset by a substantially equal amount of decreased expenditures. These payments, known as revenue neutrality payments, are negotiated between the proponents and the affected agencies based on information in the CFA. This CFA concludes that the County will not suffer from a loss of net revenues due to incorporation, but that Tracy Rural will. The loss to Tracy Rural is minor however and is projected to have no effect on the feasibility of the City. If a revenue neutrality agreement is approved by the parties or established by LAFCO following the issuance of this CFA, the Report and its findings shall be updated.

### ***Alternative Scenarios***

RSG determined that the three alternatives to the proponents' incorporation scenario are feasible. By the end of the 10-year forecast all scenarios showed a positive fund balance. It is important to note that RSG's development projections in the low growth scenarios were far more conservative than MHCS D's projections. Growth that is greater than RSG's projections will improve the feasibility of each scenario.

#### **Alternative 1: Lower Growth for the Proposed Boundary**

The net revenue for the City in this scenario is \$2.5 million in the transition year or FY 2024-25. This shrinks in the following year down to \$1.5 million in FY 2025-26. The next 8 years see net revenues reaching as large as \$1.5 million in FY 2028-29. The City ends the 10-year forecast of this scenario with a \$13.4 million fund balance.

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Alternative 2: LAFCO Alternative Boundary, Normal Growth

The net revenue for the City in this scenario is \$1.8 million in the transition year or FY 2024-25. This shrinks in the following year down to \$697,000 in FY 2025-26. The next 8 years see net revenues fluctuating reaching as low as \$416,000 in FY 2027-28 to as large as \$1.1 million in FY 2029-30. The City ends the 10-year forecast of this scenario with a \$7.7 million fund balance.

Alternative 3: Lower Growth LAFCO Alternative Boundary

The net revenue for the City in this scenario is \$2.5 million in the transition year or FY 2024-25. This shrinks in the following year down to \$1.5 million in FY 2025-26. The next 8 years see net revenues fluctuating, reaching as large as \$1.5 million in FY 2031-32. The City ends the 10-year forecast of this scenario with a \$13.5 million fund balance.



**GENERAL FUND SUMMARY  
PROPOSED BOUNDARY**

**Annual City General Fund Operating Budget**

| <b>General Fund</b>                                  | <b>Transition<br/>7/1/24</b> | <b>7/1/25</b>     | <b>7/1/26</b>     | <b>7/1/27</b>     | <b>7/1/28</b>     | <b>7/1/29</b>     | <b>7/1/30</b>     | <b>7/1/31</b>     | <b>7/1/32</b>     | <b>7/1/33</b>     |
|--|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning Fund Balance                               | \$ -                         | 1,772,197         | 2,450,608         | 2,890,832         | 3,275,556         | 4,247,085         | 5,320,726         | 6,242,839         | 7,076,584         | 7,595,870         |
| <b>Revenues by Source</b>                            |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Property Taxes <sup>1</sup>                          | 9,109,700                    | 9,528,100         | 10,119,200        | 10,887,500        | 11,734,000        | 12,588,400        | 13,370,100        | 14,120,900        | 14,857,100        | 15,542,700        |
| Sales Taxes (including In-Lieu)                      | 85,500                       | 174,200           | 215,600           | 233,600           | 239,700           | 499,800           | 597,600           | 893,200           | 1,010,000         | 1,036,500         |
| Property Transfer Taxes                              | 563,100                      | 611,400           | 708,000           | 852,800           | 954,000           | 991,800           | 1,030,900         | 1,083,600         | 1,132,700         | 1,182,800         |
| Off Highway License Subvention                       | 700                          | 700               | 800               | 900               | 1,000             | 1,000             | 1,100             | 1,200             | 1,300             | 1,300             |
| Fines & Forfeitures                                  | 147,400                      | 162,500           | 180,600           | 198,100           | 213,100           | 228,800           | 244,100           | 260,000           | 275,100           | 290,100           |
| Franchise Fees                                       | 1,383,600                    | 1,525,400         | 1,695,000         | 1,860,000         | 2,000,700         | 2,147,700         | 2,291,800         | 2,440,700         | 2,582,500         | 2,722,900         |
| Licenses & Permits                                   | 8,400                        | 9,200             | 10,200            | 11,200            | 12,100            | 13,000            | 13,900            | 14,800            | 15,600            | 16,500            |
| Community Development Fees                           | 2,622,747                    | 3,412,951         | 4,088,783         | 3,701,153         | 2,751,453         | 2,753,403         | 2,492,103         | 2,457,003         | 2,097,474         | 1,906,409         |
| Law Enforcement Fees                                 | 32,900                       | 36,300            | 40,300            | 44,200            | 47,600            | 51,100            | 54,500            | 58,000            | 61,400            | 64,700            |
| Other Revenues                                       | 13,700                       | 15,100            | 16,800            | 18,500            | 19,900            | 21,300            | 22,700            | 24,200            | 25,600            | 27,000            |
| Investment Earnings                                  | -                            | 25,300            | 35,000            | 41,200            | 46,700            | 60,600            | 75,900            | 89,100            | 100,900           | 108,400           |
| <b>Total General Fund Revenue</b>                    | <b>13,967,747</b>            | <b>15,501,151</b> | <b>17,110,283</b> | <b>17,849,153</b> | <b>18,020,253</b> | <b>19,356,903</b> | <b>20,194,703</b> | <b>21,442,703</b> | <b>22,159,674</b> | <b>22,899,309</b> |
| <b>Expenditures by Department</b>                    |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| City Council   | 106,500                      | 117,500           | 130,600           | 143,200           | 154,100           | 165,400           | 176,500           | 187,900           | 198,900           | 209,700           |
| City Clerk   | 898,700                      | 967,800           | 1,049,200         | 1,128,600         | 1,198,000         | 1,270,200         | 1,341,300         | 1,414,900         | 1,485,600         | 1,555,900         |
| Administration                                       | 453,303                      | 486,081           | 524,475           | 562,059           | 594,999           | 629,289           | 663,174           | 698,139           | 731,862           | 765,423           |
| City Attorney  | 294,900                      | 270,000           | 300,000           | 329,200           | 354,100           | 380,100           | 405,600           | 432,000           | 457,100           | 481,900           |
| Finance  | 665,874                      | 699,435           | 737,640           | 775,332           | 809,784           | 845,370           | 881,010           | 917,622           | 953,694           | 989,820           |
| Community Development                                | 4,513,737                    | 6,178,524         | 6,913,891         | 6,676,433         | 5,405,921         | 5,517,544         | 5,386,515         | 5,468,034         | 5,249,780         | 5,188,000         |
| Public Works   | -                            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Animal Control                                       | -                            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Law Enforcement                                      | 3,308,368                    | 3,818,920         | 4,448,596         | 5,105,922         | 5,737,230         | 6,451,850         | 7,196,265         | 8,018,801         | 8,869,846         | 9,768,180         |
| Recreation   | -                            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Fire Protection                                      | 834,168                      | 920,120           | 1,031,996         | 1,136,722         | 1,224,430         | 1,339,250         | 1,446,765         | 1,574,001         | 1,700,846         | 1,830,880         |
| Library  | -                            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Non-Departmental                                     | 11,000                       | 12,100            | 13,400            | 14,700            | 15,900            | 17,000            | 18,200            | 19,300            | 20,500            | 21,600            |
| Contingency (10% of Dept. Expenditures) <sup>3</sup> | 1,109,000                    | 1,347,000         | 1,515,000         | 1,587,000         | 1,549,000         | 1,662,000         | 1,752,000         | 1,873,000         | 1,967,000         | 2,081,000         |
| <b>Total General Fund Expenditures</b>               | <b>12,195,550</b>            | <b>14,817,479</b> | <b>16,664,798</b> | <b>17,459,168</b> | <b>17,043,463</b> | <b>18,278,002</b> | <b>19,267,329</b> | <b>20,603,696</b> | <b>21,635,127</b> | <b>22,892,403</b> |
| <b>Net Revenue / (Deficit) BEFORE Rev Neutrality</b> | <b>1,772,197</b>             | <b>683,672</b>    | <b>445,485</b>    | <b>389,986</b>    | <b>976,790</b>    | <b>1,078,902</b>  | <b>927,374</b>    | <b>839,007</b>    | <b>524,547</b>    | <b>6,906</b>      |
| Tracy Rural Revenue Neutrality Payment               | -                            | 5,261             | 5,261             | 5,261             | 5,261             | 5,261             | 5,261             | 5,261             | 5,261             | 5,261             |
| County Revenue Neutrality Payment <sup>4</sup>       | -                            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Total General Fund Expenditures</b>               | <b>12,195,550</b>            | <b>14,822,740</b> | <b>16,670,059</b> | <b>17,464,429</b> | <b>17,048,724</b> | <b>18,283,263</b> | <b>19,272,590</b> | <b>20,608,958</b> | <b>21,640,388</b> | <b>22,897,664</b> |
| <b>Net Revenue / (Deficit) AFTER Rev Neutrality</b>  | <b>1,772,197</b>             | <b>678,411</b>    | <b>440,224</b>    | <b>384,725</b>    | <b>971,529</b>    | <b>1,073,640</b>  | <b>922,113</b>    | <b>833,745</b>    | <b>519,286</b>    | <b>1,645</b>      |
| <b>Fund Balance</b>                                  | <b>1,772,197</b>             | <b>2,450,608</b>  | <b>2,890,832</b>  | <b>3,275,556</b>  | <b>4,247,085</b>  | <b>5,320,726</b>  | <b>6,242,839</b>  | <b>7,076,584</b>  | <b>7,595,870</b>  | <b>7,597,515</b>  |
| + Reserves from MHCSD <sup>5</sup>                   | 25,955,383                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Fund Balance w/ MHCSD Reserves</b>                | <b>27,727,580</b>            | <b>28,405,991</b> | <b>28,846,215</b> | <b>29,230,939</b> | <b>30,202,468</b> | <b>31,276,109</b> | <b>32,198,222</b> | <b>33,031,967</b> | <b>33,551,253</b> | <b>33,552,898</b> |

<sup>1</sup> Taxes levied from property assessments are projected in the transition year based on the incorporation application's proposal for reorganization of the CSD.

<sup>2</sup> Special Taxes include 4 ordinances for Roads, Public Safety, Parks & Recreation, and Public Works.

<sup>3</sup> Contingency at 10% is consistent with the Governor's Office of Planning and Research Guidelines for Incorporation.

<sup>4</sup> Because the costs transferred from the County of San Joaquin outweigh the tax revenues, the City as projected is not expected to pay any Revenue Neutrality payments.

<sup>5</sup> MHCSD Reserves defined as unassigned General Fund Balance on June 30, 2022 less reserves set aside for Subsidiary District



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## APPENDIX 2 - ROAD FUND

### ROAD FUND REVENUE DETAILS

Like most cities, the primary recurring source of Road Fund revenue is gas tax apportionments from the State. Generally, Road Fund revenues are restricted by law to road-related expenditures, including routine maintenance and road repair. Under existing State law, a surplus in the Road Fund cannot be used for the provision of any general municipal services or expended for maintenance of private roads. It is also common, as is the case in our projected budget for the City, that Road Fund revenues are insufficient to cover ongoing maintenance costs for roadways. To make up the gap, this CFA projects allocations of County Measure K funding and Special Taxes. The City will receive a share of gasoline taxes generated from the state under Sections 2103, 2105, 2106, 2107 and 2107.5 of the California Streets and Highways Code. Gas Tax funds are restricted for use in the construction, improvement, and maintenance of public streets. Measure K funds are also restricted to local streets and road repair. In FY 2024-25, RSG estimates that the City Road Fund could receive approximately \$601,700 in gas taxes and \$618,415 in Measure K funds.



**ROAD FUND SUMMARY  
PROPOSED BOUNDARY**

**Annual City Road Fund Operating Budget**

| <b>Road Fund</b>                         | <b>Transition<br/>7/1/24</b> | <b>7/1/25</b>    | <b>7/1/26</b>    | <b>7/1/27</b>  | <b>7/1/28</b>  | <b>7/1/29</b>  | <b>7/1/30</b>  | <b>7/1/31</b>  | <b>7/1/32</b>  | <b>7/1/33</b>  |
|--|------------------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Beginning Fund Balance                   | \$ -                         | 0                | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| <b>Revenues by Source</b>                |                              |                  |                  |                |                |                |                |                |                |                |
| Gas Tax (Sec. 2103)                      | 187,900                      | 201,800          | 218,500          | 233,600        | 244,900        | 256,100        | 266,300        | 276,400        | 284,900        | 292,700        |
| Gas Tax (Sec. 2105)                      | 138,900                      | 149,200          | 161,500          | 172,700        | 181,000        | 189,300        | 196,800        | 204,200        | 210,600        | 216,300        |
| Gas Tax (Sec. 2106)                      | 79,800                       | 85,700           | 92,800           | 99,200         | 104,000        | 108,800        | 113,100        | 117,300        | 121,000        | 124,300        |
| Gas Tax (Sec. 2107)                      | 189,100                      | 203,100          | 219,900          | 235,100        | 246,400        | 257,700        | 267,990        | 278,100        | 286,700        | 294,500        |
| Gas Tax (Sec. 2107.5)                    | 6,000                        | 6,000            | 6,000            | 6,000          | 6,000          | 6,000          | 6,000          | 6,000          | 6,000          | 6,000          |
| Measure K - City Allocation <sup>1</sup> | 618,415                      | 679,455          | 751,967          | -              | -              | -              | -              | -              | -              | -              |
| Interest Earnings                        | -                            | -                | -                | -              | -              | -              | -              | -              | -              | -              |
| <b>Total</b>                             | <b>1,220,115</b>             | <b>1,325,255</b> | <b>1,450,667</b> | <b>746,600</b> | <b>782,300</b> | <b>817,900</b> | <b>850,190</b> | <b>882,000</b> | <b>909,200</b> | <b>933,800</b> |
| <b>Expenditures by Department</b>        |                              |                  |                  |                |                |                |                |                |                |                |
| Road Maintenance                         | 1,220,115                    | 1,325,255        | 1,450,667        | 746,600        | 782,300        | 817,900        | 850,190        | 882,000        | 909,200        | 933,800        |
| <b>Total</b>                             | <b>1,220,115</b>             | <b>1,325,255</b> | <b>1,450,667</b> | <b>746,600</b> | <b>782,300</b> | <b>817,900</b> | <b>850,190</b> | <b>882,000</b> | <b>909,200</b> | <b>933,800</b> |
| Net Revenue / (Deficit)                  | -                            | 0                | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Ending Road Fund Balance                 | -                            | 0                | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 0              |

<sup>1</sup>Due to incorporating after 2007, the City is allowed to receive only 3 years of formula funding from the County's Measure K half-cent sales tax measure's Local Street Repair Fund.

**LANDSCAPE & LIGHTING MAINTENANCE DISTRICTS 1-3  
PROPOSED BOUNDARY**
**Annual Landscape & Lighting Maintenance Fund(s) Operating Budget**

| <b>LLMD FUNDS</b>                 | <b>Transition<br/>7/1/24</b> | <b>7/1/25</b>  | <b>7/1/26</b>  | <b>7/1/27</b>  | <b>7/1/28</b>  | <b>7/1/29</b>  | <b>7/1/30</b>  | <b>7/1/31</b>  | <b>7/1/32</b>  | <b>7/1/33</b>  |
|-----------------------------------|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Beginning Fund Balance            | \$ -                         | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| <b>Revenues by Source</b>         |                              |                |                |                |                |                |                |                |                |                |
| District 1 Assessment             | 53,849                       | 53,849         | 53,849         | 53,849         | 53,849         | 53,849         | 53,849         | 53,849         | 53,849         | 53,849         |
| District 2 Assessment             | 38,341                       | 38,341         | 38,341         | 38,341         | 38,341         | 38,341         | 38,341         | 38,341         | 38,341         | 38,341         |
| District 3 Assessment             | 335,651                      | 335,651        | 335,651        | 335,651        | 335,651        | 335,651        | 335,651        | 335,651        | 335,651        | 335,651        |
| Interest Earnings                 | -                            | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| <b>Total</b>                      | <b>427,841</b>               | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> |
| <b>Expenditures by Department</b> |                              |                |                |                |                |                |                |                |                |                |
| LLMD Expenditures                 | 427,841                      | 427,841        | 427,841        | 427,841        | 427,841        | 427,841        | 427,841        | 427,841        | 427,841        | 427,841        |
| <b>Total</b>                      | <b>427,841</b>               | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> | <b>427,841</b> |
| Net Revenue / (Deficit)           | -                            | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Ending LLMD Fund Balance          | -                            | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |

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## APPENDIX 4 - AFFORDABLE HOUSING FUND

### AFFORDABLE HOUSING FUND REVENUE DETAILS

The County of San Joaquin currently operates an affordable housing fund for the Proposed Boundary area. Upon incorporation this fund and all related statutory affordable housing requirements will become the responsibility of the City of Mountain House. The fund has accumulated approximately \$7.8 million in cash since it was created about 20 years ago. This fund balance has not declined over the years due to a lack of expenditures for affordable housing projects. The City may choose to take advantage of the stored funds, but these funds may only be spent on affordable housing projects. Due to historical trends in this area and the widely variable nature of the costs of affordable housing projects, this CFA does not project any expenditures from the fund. It must be noted that this is not a realistic assumption, as it is unlikely the City would not approve or expend any funds on affordable housing. In light of this, revenues for affordable housing are projected in this CFA. Based on a per-permitted unit ratio, the affordable housing fund for Mountain House is projected to gain \$1.3 million in the transition year, bringing the fund balance to \$9.2 million at the end of FY 2024-25. This balance rises to \$22.6 million in FY 2033-34.



**AFFORDABLE HOUSING FUND  
PROPOSED BOUNDARY**

| <b>Affordable Housing Fund</b>              | <b>Annual Affordable Housing Fund Budget</b> |               |               |               |               |               |               |               |               |               |
|---|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | <b>Transition<br/>7/1/24</b>                 | <b>7/1/25</b> | <b>7/1/26</b> | <b>7/1/27</b> | <b>7/1/28</b> | <b>7/1/29</b> | <b>7/1/30</b> | <b>7/1/31</b> | <b>7/1/32</b> | <b>7/1/33</b> |
| Beginning Fund Balance                      | \$ 7,848,670                                 | 9,174,005     | 10,891,236    | 12,947,803    | 14,831,434    | 16,268,865    | 17,717,492    | 19,049,988    | 20,375,000    | 21,535,458    |
| Revenues by Source                          |  |               |               |               |               |               |               |               |               |               |
| Affordable Housing Impact Fees <sup>1</sup> | 1,269,355                                    | 1,651,797     | 1,978,885     | 1,791,281     | 1,331,646     | 1,332,590     | 1,206,126     | 1,189,138     | 1,015,134     | 922,662       |
| Interest Earnings                           | 55,981                                       | 65,434        | 77,682        | 92,350        | 105,785       | 116,038       | 126,370       | 135,874       | 145,325       | 153,602       |
| Total Revenues                              | 1,325,335                                    | 1,717,230     | 2,056,567     | 1,883,631     | 1,437,431     | 1,448,627     | 1,332,496     | 1,325,012     | 1,160,458     | 1,076,264     |
| Expenditures by Department                  |  |               |               |               |               |               |               |               |               |               |
| Affordable Housing Expenditures             | -  | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Total Expenditures                          | -  | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Net Revenue / (Deficit)                     | 1,325,335                                    | 1,717,230     | 2,056,567     | 1,883,631     | 1,437,431     | 1,448,627     | 1,332,496     | 1,325,012     | 1,160,458     | 1,076,264     |
| Ending Affordable Housing Fund Balance      | 9,174,005                                    | 10,891,236    | 12,947,803    | 14,831,434    | 16,268,865    | 17,717,492    | 19,049,988    | 20,375,000    | 21,535,458    | 22,611,722    |

<sup>1</sup> Affordable Housing Impact Fees projected based on proportion of Base Year fees to Base Year revenues, multiplied by the annual amount of residential units constructed.

CC&R FUND/SUBSIDIARY DISTRICT  
 PROPOSED BOUNDARY

## Annual CC&amp;R Fund/Subsidiary District Operating Budget

| SUBSIDIARY DISTRICT                        | Transition<br>7/1/24 | 7/1/25  | 7/1/26  | 7/1/27  | 7/1/28  | 7/1/29    | 7/1/30    | 7/1/31    | 7/1/32    | 7/1/33    |
|--|----------------------|---------|---------|---------|---------|-----------|-----------|-----------|-----------|-----------|
| Beginning Fund Balance                     | \$ -                 | 88,200  | 182,529 | 296,731 | 440,347 | 617,788   | 829,395   | 1,071,210 | 1,341,551 | 1,639,519 |
| Revenues by Source                         |                      |         |         |         |         |           |           |           |           |           |
| Property Tax Assessment Share <sup>1</sup> | 491,600              | 514,200 | 546,100 | 587,500 | 633,200 | 679,300   | 721,500   | 762,000   | 801,800   | 838,700   |
| Interest Earnings                          | -                    | 629     | 1,302   | 2,116   | 3,141   | 4,406     | 5,916     | 7,640     | 9,569     | 11,694    |
| Total Revenues                             | 491,600              | 514,829 | 547,402 | 589,616 | 636,341 | 683,706   | 727,416   | 769,640   | 811,369   | 850,394   |
| Expenditures by Department                 |                      |         |         |         |         |           |           |           |           |           |
| CC&R Enforcement <sup>2</sup>              | 403,400              | 415,500 | 428,200 | 441,000 | 453,900 | 467,100   | 480,600   | 494,300   | 508,400   | 522,700   |
| Audit                                      | -                    | 5,000   | 5,000   | 5,000   | 5,000   | 5,000     | 5,000     | 5,000     | 5,000     | 5,000     |
| Total Expenditures                         | 403,400              | 420,500 | 433,200 | 446,000 | 458,900 | 472,100   | 485,600   | 499,300   | 513,400   | 527,700   |
| Net Revenue / (Deficit)                    | 88,200               | 94,329  | 114,202 | 143,616 | 177,441 | 211,606   | 241,816   | 270,340   | 297,969   | 322,694   |
| Ending Subsidiary District Fund Balance    | 88,200               | 182,529 | 296,731 | 440,347 | 617,788 | 829,395   | 1,071,210 | 1,341,551 | 1,639,519 | 1,962,213 |
| +Reserves held for MHCS <sup>3</sup>       | 316,669              |         |         |         |         |           |           |           |           |           |
| Fund Balance w/ Reserves                   | 404,869              | 499,198 | 613,400 | 757,016 | 934,457 | 1,146,064 | 1,387,879 | 1,658,220 | 1,956,188 | 2,278,882 |

<sup>1</sup> The Property Tax Share (1.011%) allocated to the Subsidiary District is derived from the expected costs of CC&R enforcement.

<sup>2</sup> CC&R enforcement costs are the sum of Mountain House CSD's current code enforcement costs.

<sup>3</sup> Reserves to be held are calculated at a ratio of 78.5% of expenditures based on proponent's feasibility study by Berkson Associates



**GENERAL FUND SUMMARY  
LAFCO ALTERNATIVE BOUNDARY**

**Annual City General Fund Operating Budget**

| General Fund   | Transition<br>7/1/24 | 7/1/25            | 7/1/26            | 7/1/27            | 7/1/28            | 7/1/29            | 7/1/30            | 7/1/31            | 7/1/32            | 7/1/33            |
|--|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning Fund Balance                                     | \$ -                 | 1,783,029         | 2,470,885         | 2,924,416         | 3,331,816         | 4,316,201         | 5,403,007         | 6,337,417         | 7,182,551         | 7,714,737         |
| <b>Revenues by Source</b>                                  |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Property Taxes <sup>1</sup>                                | 9,118,200            | 9,536,700         | 10,127,900        | 10,896,400        | 11,743,200        | 12,597,800        | 13,379,600        | 14,130,600        | 14,867,200        | 15,552,800        |
| Sales Taxes (including In-Lieu)                            | 85,500               | 174,200           | 215,600           | 233,600           | 239,700           | 499,800           | 597,600           | 893,200           | 1,010,000         | 1,036,500         |
| Property Transfer Taxes                                    | 563,100              | 611,380           | 707,960           | 860,800           | 954,000           | 991,800           | 1,030,900         | 1,083,600         | 1,132,700         | 1,182,800         |
| Off Highway License Subvention                             | 700                  | 700               | 800               | 900               | 1,000             | 1,000             | 1,100             | 1,200             | 1,300             | 1,300             |
| Fines & Forfeitures  | 147,500              | 162,600           | 180,600           | 198,200           | 213,200           | 228,900           | 244,200           | 260,100           | 275,200           | 290,200           |
| Franchise Fees   | 1,384,400            | 1,526,200         | 1,695,900         | 1,860,800         | 2,001,600         | 2,148,600         | 2,292,700         | 2,441,600         | 2,583,500         | 2,723,900         |
| Licenses & Permits   | 8,400                | 9,200             | 10,300            | 11,300            | 12,100            | 13,000            | 13,900            | 14,800            | 15,600            | 16,500            |
| Community Development Fees                                 | 2,622,747            | 3,412,951         | 4,088,783         | 3,701,153         | 2,751,453         | 2,753,403         | 2,492,103         | 2,457,003         | 2,097,474         | 1,906,409         |
| Law Enforcement Fees                                       | 32,900               | 36,300            | 40,300            | 44,200            | 47,600            | 51,100            | 54,500            | 58,100            | 61,400            | 64,800            |
| Other Revenues   | 13,700               | 15,100            | 16,800            | 18,500            | 19,900            | 21,300            | 22,800            | 24,200            | 25,600            | 27,000            |
| Investment Earnings  | -                    | 25,400            | 35,200            | 41,700            | 47,500            | 61,600            | 77,100            | 90,400            | 102,500           | 110,100           |
| <b>Total General Fund Revenue</b>                          | <b>13,977,147</b>    | <b>15,510,731</b> | <b>17,120,143</b> | <b>17,867,553</b> | <b>18,031,253</b> | <b>19,368,303</b> | <b>20,206,503</b> | <b>21,454,803</b> | <b>22,172,474</b> | <b>22,912,309</b> |
| <b>Expenditures by Department</b>                          |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| City Council   | 106,500              | 117,500           | 130,600           | 143,300           | 154,200           | 165,500           | 176,600           | 188,000           | 199,000           | 209,800           |
| City Clerk   | 898,500              | 967,500           | 1,048,800         | 1,128,200         | 1,197,500         | 1,269,700         | 1,340,800         | 1,414,300         | 1,484,900         | 1,555,200         |
| Administration   | 453,465              | 486,243           | 524,637           | 562,221           | 595,161           | 629,478           | 663,363           | 698,301           | 732,078           | 765,639           |
| City Attorney  | 295,000              | 270,100           | 300,100           | 329,300           | 354,300           | 380,300           | 405,800           | 432,100           | 457,200           | 482,100           |
| Finance  | 666,009              | 699,570           | 737,748           | 775,467           | 809,892           | 845,505           | 881,172           | 917,784           | 953,856           | 989,982           |
| Community Development                                      | 4,513,993            | 6,178,877         | 6,914,243         | 6,676,687         | 5,406,278         | 5,517,796         | 5,386,870         | 5,468,385         | 5,250,129         | 5,188,348         |
| Public Works   | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Animal Control   | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Law Enforcement  | 3,308,075            | 3,817,450         | 4,445,949         | 5,102,847         | 5,735,026         | 6,450,166         | 7,195,402         | 8,018,157         | 8,869,420         | 9,768,022         |
| Recreation   | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Fire Protection  | 832,575              | 917,050           | 1,027,649         | 1,131,847         | 1,220,126         | 1,335,566         | 1,443,402         | 1,570,757         | 1,697,720         | 1,827,722         |
| Library  | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Non-Departmental   | 11,000               | 12,100            | 13,400            | 14,800            | 15,900            | 17,000            | 18,200            | 19,400            | 20,500            | 21,600            |
| <b>Contingency (10% of Dept. Expenditures)<sup>3</sup></b> | <b>1,109,000</b>     | <b>1,347,000</b>  | <b>1,514,000</b>  | <b>1,586,000</b>  | <b>1,549,000</b>  | <b>1,661,000</b>  | <b>1,751,000</b>  | <b>1,873,000</b>  | <b>1,966,000</b>  | <b>2,081,000</b>  |
| <b>Total General Fund Expenditures</b>                     | <b>12,194,118</b>    | <b>14,813,390</b> | <b>16,657,126</b> | <b>17,450,669</b> | <b>17,037,383</b> | <b>18,272,012</b> | <b>19,262,608</b> | <b>20,600,184</b> | <b>21,630,803</b> | <b>22,889,413</b> |
| <b>Net Revenue / (Deficit) BEFORE Rev Neutrality</b>       | <b>1,783,029</b>     | <b>697,340</b>    | <b>463,017</b>    | <b>416,885</b>    | <b>993,870</b>    | <b>1,096,291</b>  | <b>943,895</b>    | <b>854,619</b>    | <b>541,671</b>    | <b>22,896</b>     |
| Tracy Rural Revenue Neutrality Payment                     | -                    | 9,485             | 9,485             | 9,485             | 9,485             | 9,485             | 9,485             | 9,485             | 9,485             | 9,485             |
| County Revenue Neutrality Payment <sup>4</sup>             | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Total General Fund Expenditures</b>                     | <b>12,194,118</b>    | <b>14,822,875</b> | <b>16,666,611</b> | <b>17,460,154</b> | <b>17,046,868</b> | <b>18,281,497</b> | <b>19,272,093</b> | <b>20,609,669</b> | <b>21,640,288</b> | <b>22,898,898</b> |
| <b>Net Revenue / (Deficit) AFTER Rev Neutrality</b>        | <b>1,783,029</b>     | <b>687,855</b>    | <b>453,532</b>    | <b>407,400</b>    | <b>984,385</b>    | <b>1,086,806</b>  | <b>934,410</b>    | <b>845,134</b>    | <b>532,186</b>    | <b>13,411</b>     |
| <b>Fund Balance</b>  | <b>1,783,029</b>     | <b>2,470,885</b>  | <b>2,924,416</b>  | <b>3,331,816</b>  | <b>4,316,201</b>  | <b>5,403,007</b>  | <b>6,337,417</b>  | <b>7,182,551</b>  | <b>7,714,737</b>  | <b>7,728,148</b>  |
| + Reserves from MHCS <sup>5</sup>                          | 25,955,383           |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Fund Balance w/ MHCS Reserves</b>                       | <b>27,738,412</b>    | <b>28,426,268</b> | <b>28,879,799</b> | <b>29,287,199</b> | <b>30,271,584</b> | <b>31,358,390</b> | <b>32,292,800</b> | <b>33,137,934</b> | <b>33,670,120</b> | <b>33,683,531</b> |

<sup>1</sup> Taxes levied from property assessments are projected in the transition year based on the incorporation application's proposal for reorganization of the CSD.  
<sup>2</sup> Special Taxes include 4 ordinances for Roads, Public Safety, Parks & Recreation, and Public Works.  
<sup>3</sup> Contingency at 10% is consistent with the Governor's Office of Planning and Research Guidelines for Incorporation.  
<sup>4</sup> Because the costs transferred from the County of San Joaquin outweigh the tax revenues, the City as projected is not expected to pay any Revenue Neutrality payments.  
<sup>5</sup> MHCS Reserves defined as unassigned General Fund Balance on June 30, 2022 less reserves set aside for Subsidiary District



**GENERAL FUND SUMMARY  
PROPOSED - LOW GROWTH**

**Annual City General Fund Operating Budget**

| <b>General Fund</b>                                  | <b>Transition<br/>7/1/24</b> | <b>7/1/25</b>     | <b>7/1/26</b>     | <b>7/1/27</b>     | <b>7/1/28</b>     | <b>7/1/29</b>     | <b>7/1/30</b>     | <b>7/1/31</b>     | <b>7/1/32</b>     | <b>7/1/33</b>     |
|--|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning Fund Balance                               | \$ -                         | 2,471,975         | 3,920,291         | 5,116,866         | 6,183,476         | 7,697,201         | 9,205,546         | 10,582,396        | 11,852,848        | 12,851,288        |
| <b>Revenues by Source</b>                            |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Property Taxes <sup>1</sup>                          | 9,008,000                    | 9,298,900         | 9,693,500         | 10,245,800        | 10,923,900        | 11,688,400        | 12,482,800        | 13,271,100        | 14,026,900        | 14,717,500        |
| Sales Taxes (including In-Lieu)                      | 85,500                       | 186,200           | 225,800           | 254,500           | 278,500           | 417,000           | 470,300           | 622,500           | 685,500           | 703,600           |
| Property Transfer Taxes                              | 515,100                      | 550,800           | 623,000           | 746,600           | 852,400           | 937,000           | 1,007,300         | 1,055,900         | 1,094,800         | 1,132,900         |
| Off Highway License Subvention                       | 600                          | 700               | 700               | 800               | 900               | 1,000             | 1,100             | 1,100             | 1,200             | 1,300             |
| Fines & Forfeitures                                  | 140,100                      | 150,500           | 164,500           | 179,900           | 196,800           | 213,900           | 231,000           | 247,100           | 262,300           | 277,200           |
| Franchise Fees                                       | 1,315,600                    | 1,412,600         | 1,544,300         | 1,689,000         | 1,847,900         | 2,008,000         | 2,168,300         | 2,319,300         | 2,462,100         | 2,602,300         |
| Licenses & Permits                                   | 8,000                        | 8,500             | 9,300             | 10,200            | 11,200            | 12,100            | 13,100            | 14,000            | 14,900            | 15,700            |
| Community Development Fees                           | 1,346,465                    | 2,020,217         | 2,981,978         | 3,203,313         | 3,427,522         | 3,255,575         | 3,059,183         | 2,602,863         | 2,208,932         | 1,987,442         |
| Law Enforcement Fees                                 | 31,300                       | 33,600            | 36,700            | 40,200            | 43,900            | 47,700            | 51,600            | 55,100            | 58,500            | 61,900            |
| Other Revenues                                       | 13,100                       | 14,000            | 15,300            | 16,800            | 18,300            | 19,900            | 21,500            | 23,000            | 24,400            | 25,800            |
| Investment Earnings                                  | -                            | 35,300            | 55,900            | 73,000            | 88,200            | 109,800           | 131,300           | 151,000           | 169,100           | 183,300           |
| <b>Total General Fund Revenue</b>                    | <b>12,463,765</b>            | <b>13,711,317</b> | <b>15,350,978</b> | <b>16,460,113</b> | <b>17,689,522</b> | <b>18,710,375</b> | <b>19,637,483</b> | <b>20,362,963</b> | <b>21,008,632</b> | <b>21,708,942</b> |
| <b>Expenditures by Department</b>                    |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| City Council   | 104,900                      | 114,700           | 127,000           | 139,100           | 150,400           | 162,000           | 173,500           | 185,000           | 196,000           | 206,800           |
| City Clerk   | 301,800                      | 309,700           | 317,900           | 326,200           | 334,800           | 343,600           | 352,600           | 361,900           | 371,400           | 381,200           |
| Administration                                       | 439,884                      | 463,806           | 494,640           | 528,228           | 564,759           | 601,695           | 638,766           | 674,109           | 708,048           | 741,582           |
| City Attorney  | 282,800                      | 250,000           | 273,300           | 298,900           | 327,000           | 355,400           | 383,800           | 410,500           | 435,700           | 460,600           |
| Finance  | 655,506                      | 682,290           | 714,663           | 749,277           | 786,456           | 824,094           | 862,218           | 899,127           | 935,334           | 971,460           |
| Community Development                                | 3,313,180                    | 4,855,085         | 5,840,740         | 6,157,136         | 5,975,879         | 5,931,790         | 5,866,878         | 5,560,878         | 5,311,315         | 5,221,444         |
| Public Works   | -                            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Animal Control                                       | -                            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Law Enforcement                                      | 3,177,810                    | 3,594,280         | 4,129,999         | 4,728,300         | 5,391,971         | 6,122,145         | 6,899,605         | 7,713,118         | 8,551,917         | 9,434,936         |
| Recreation   | -                            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Fire Protection                                      | 797,510                      | 862,680           | 952,699           | 1,048,700         | 1,154,671         | 1,277,145         | 1,400,805         | 1,529,218         | 1,656,717         | 1,786,736         |
| Library  | -                            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Non-Departmental                                     | 10,400                       | 11,200            | 12,200            | 13,400            | 14,600            | 15,900            | 17,200            | 18,400            | 19,500            | 20,600            |
| Contingency (10% of Dept. Expenditures) <sup>3</sup> | 908,000                      | 1,114,000         | 1,286,000         | 1,399,000         | 1,470,000         | 1,563,000         | 1,660,000         | 1,735,000         | 1,819,000         | 1,923,000         |
| <b>Total General Fund Expenditures</b>               | <b>9,991,790</b>             | <b>12,257,740</b> | <b>14,149,141</b> | <b>15,388,242</b> | <b>16,170,536</b> | <b>17,196,769</b> | <b>18,255,372</b> | <b>19,087,251</b> | <b>20,004,930</b> | <b>21,148,358</b> |
| <b>Net Revenue / (Deficit) BEFORE Rev Neutrality</b> | <b>2,471,975</b>             | <b>1,453,577</b>  | <b>1,201,837</b>  | <b>1,071,871</b>  | <b>1,518,986</b>  | <b>1,513,606</b>  | <b>1,382,111</b>  | <b>1,275,712</b>  | <b>1,003,702</b>  | <b>560,585</b>    |
| Tracy Rural Revenue Neutrality Payment               | -                            | 5,261             | 5,261             | 5,261             | 5,261             | 5,261             | 5,261             | 5,261             | 5,261             | 5,261             |
| County Revenue Neutrality Payment <sup>4</sup>       | -                            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Total General Fund Expenditures</b>               | <b>9,991,790</b>             | <b>12,263,001</b> | <b>14,154,402</b> | <b>15,393,503</b> | <b>16,175,797</b> | <b>17,202,030</b> | <b>18,260,633</b> | <b>19,092,512</b> | <b>20,010,191</b> | <b>21,153,619</b> |
| <b>Net Revenue / (Deficit) AFTER Rev Neutrality</b>  | <b>2,471,975</b>             | <b>1,448,316</b>  | <b>1,196,576</b>  | <b>1,066,610</b>  | <b>1,513,725</b>  | <b>1,508,345</b>  | <b>1,376,850</b>  | <b>1,270,451</b>  | <b>998,441</b>    | <b>555,324</b>    |
| <b>Fund Balance</b>                                  | <b>2,471,975</b>             | <b>3,920,291</b>  | <b>5,116,866</b>  | <b>6,183,476</b>  | <b>7,697,201</b>  | <b>9,205,546</b>  | <b>10,582,396</b> | <b>11,852,848</b> | <b>12,851,288</b> | <b>13,406,612</b> |
| + Reserves from MHCS <sup>5</sup>                    | 25,956,090                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Fund Balance w/ MHCS Reserves</b>                 | <b>28,428,064</b>            | <b>29,876,380</b> | <b>31,072,956</b> | <b>32,139,565</b> | <b>33,653,291</b> | <b>35,161,636</b> | <b>36,538,486</b> | <b>37,808,937</b> | <b>38,807,378</b> | <b>39,362,701</b> |

<sup>1</sup> Taxes levied from property assessments are projected in the transition year based on the incorporation application's proposal for reorganization of the CSD.

<sup>2</sup> Special Taxes include 4 ordinances for Roads, Public Safety, Parks & Recreation, and Public Works.

<sup>3</sup> Contingency at 10% is consistent with the Governor's Office of Planning and Research Guidelines for Incorporation.

<sup>4</sup> Because the costs transferred from the County of San Joaquin outweigh the tax revenues, the City as projected is not expected to pay any Revenue Neutrality payments.

<sup>5</sup> MHCS Reserves defined as unassigned General Fund Balance on June 30, 2022 less reserves set aside for Subsidiary District

**APPENDIX 7 - FUND SUMMARY - PROPOSED BOUNDARY: LOW GROWTH**





**GENERAL FUND SUMMARY**  
LAFCO ALTERNATIVE - LOW GROWTH

Annual City General Fund Operating Budget

| General Fund   | Transition<br>7/1/24 | 7/1/25            | 7/1/26            | 7/1/27            | 7/1/28            | 7/1/29            | 7/1/30            | 7/1/31            | 7/1/32            | 7/1/33            |
|--|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning Fund Balance                                     | \$ -                 | 2,476,936         | 3,926,169         | 5,124,491         | 6,194,747         | 7,712,777         | 9,228,013         | 10,614,018        | 11,896,706        | 12,910,000        |
| <b>Revenues by Source</b>                                  |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Property Taxes <sup>1</sup>                                | 9,016,500            | 9,307,500         | 9,702,200         | 10,254,600        | 10,933,100        | 11,697,700        | 12,492,300        | 13,280,800        | 14,036,900        | 14,727,600        |
| Sales Taxes (including In-Lieu)                            | 85,500               | 186,500           | 227,000           | 256,500           | 280,800           | 422,800           | 477,400           | 633,500           | 698,100           | 716,500           |
| Property Transfer Taxes                                    | 515,100              | 550,800           | 623,000           | 746,600           | 852,400           | 937,000           | 1,007,300         | 1,055,900         | 1,094,800         | 1,132,900         |
| Off Highway License Subvention                             | 600                  | 700               | 700               | 800               | 900               | 1,000             | 1,100             | 1,100             | 1,200             | 1,300             |
| Fines & Forfeitures  | 140,200              | 150,600           | 164,600           | 180,000           | 196,900           | 214,000           | 231,100           | 247,200           | 262,400           | 277,300           |
| Franchise Fees   | 1,316,400            | 1,413,400         | 1,545,100         | 1,689,900         | 1,848,700         | 2,008,900         | 2,169,300         | 2,320,200         | 2,463,000         | 2,603,300         |
| Licenses & Permits   | 8,000                | 8,500             | 9,300             | 10,200            | 11,200            | 12,100            | 13,100            | 14,000            | 14,900            | 15,700            |
| Community Development Fees                                 | 1,346,465            | 2,020,217         | 2,981,978         | 3,203,313         | 3,427,522         | 3,255,575         | 3,059,183         | 2,602,863         | 2,208,932         | 1,987,442         |
| Law Enforcement Fees                                       | 31,300               | 33,600            | 36,700            | 40,200            | 44,000            | 47,800            | 51,600            | 55,200            | 58,600            | 61,900            |
| Other Revenues   | 13,100               | 14,000            | 15,300            | 16,800            | 18,300            | 19,900            | 21,500            | 23,000            | 24,400            | 25,800            |
| Investment Earnings  | -                    | 35,300            | 56,000            | 73,100            | 88,400            | 110,000           | 131,600           | 151,400           | 169,700           | 184,200           |
| <b>Total General Fund Revenue</b>                          | <b>12,473,165</b>    | <b>13,721,117</b> | <b>15,361,878</b> | <b>16,472,013</b> | <b>17,702,222</b> | <b>18,726,775</b> | <b>19,655,483</b> | <b>20,385,163</b> | <b>21,032,932</b> | <b>21,733,942</b> |
| <b>Expenditures by Department</b>                          |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| City Council   | 104,900              | 114,800           | 127,000           | 139,100           | 150,500           | 162,100           | 173,600           | 185,100           | 196,100           | 206,900           |
| City Clerk   | 301,800              | 309,700           | 317,900           | 326,200           | 334,800           | 343,600           | 352,600           | 361,900           | 371,400           | 381,200           |
| Administration   | 440,019              | 463,968           | 494,802           | 528,417           | 564,948           | 601,830           | 638,955           | 674,325           | 708,237           | 741,771           |
| City Attorney  | 283,000              | 250,200           | 273,500           | 299,100           | 327,200           | 355,500           | 383,900           | 410,600           | 435,900           | 460,700           |
| Finance  | 655,641              | 682,371           | 714,771           | 749,412           | 786,591           | 824,256           | 862,326           | 899,289           | 935,469           | 971,595           |
| Community Development                                      | 3,313,434            | 4,855,440         | 5,841,094         | 6,157,392         | 5,976,133         | 5,932,144         | 5,867,228         | 5,561,128         | 5,311,664         | 5,221,794         |
| Public Works   | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Animal Control   | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Law Enforcement  | 3,179,868            | 3,596,460         | 4,132,402         | 4,730,925         | 5,394,518         | 6,124,912         | 6,902,692         | 7,716,274         | 8,555,441         | 9,438,678         |
| Recreation   | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Fire Protection  | 798,168              | 863,260           | 953,402           | 1,049,325         | 1,155,318         | 1,277,812         | 1,401,492         | 1,529,974         | 1,657,441         | 1,787,478         |
| Library  | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Non-Departmental   | 10,400               | 11,200            | 12,200            | 13,400            | 14,700            | 15,900            | 17,200            | 18,400            | 19,500            | 20,600            |
| <b>Contingency (10% of Dept. Expenditures)<sup>3</sup></b> | <b>909,000</b>       | <b>1,115,000</b>  | <b>1,287,000</b>  | <b>1,399,000</b>  | <b>1,470,000</b>  | <b>1,564,000</b>  | <b>1,660,000</b>  | <b>1,736,000</b>  | <b>1,819,000</b>  | <b>1,923,000</b>  |
| <b>Total General Fund Expenditures</b>                     | <b>9,996,229</b>     | <b>12,262,399</b> | <b>14,154,071</b> | <b>15,392,272</b> | <b>16,174,707</b> | <b>17,202,054</b> | <b>18,259,993</b> | <b>19,092,990</b> | <b>20,010,152</b> | <b>21,153,716</b> |
| <b>Net Revenue / (Deficit) BEFORE Rev Neutrality</b>       | <b>2,476,936</b>     | <b>1,458,719</b>  | <b>1,207,807</b>  | <b>1,079,741</b>  | <b>1,527,516</b>  | <b>1,524,721</b>  | <b>1,395,490</b>  | <b>1,292,173</b>  | <b>1,022,779</b>  | <b>580,227</b>    |
| Tracy Rural Revenue Neutrality Payment                     | -                    | 9,485             | 9,485             | 9,485             | 9,485             | 9,485             | 9,485             | 9,485             | 9,485             | 9,485             |
| <b>County Revenue Neutrality Payment<sup>4</sup></b>       | <b>-</b>             | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          |
| <b>Total General Fund Expenditures</b>                     | <b>9,996,229</b>     | <b>12,271,884</b> | <b>14,163,556</b> | <b>15,401,757</b> | <b>16,184,192</b> | <b>17,211,539</b> | <b>18,269,478</b> | <b>19,102,475</b> | <b>20,019,637</b> | <b>21,163,201</b> |
| <b>Net Revenue / (Deficit) AFTER Rev Neutrality</b>        | <b>2,476,936</b>     | <b>1,449,233</b>  | <b>1,198,322</b>  | <b>1,070,256</b>  | <b>1,518,030</b>  | <b>1,515,236</b>  | <b>1,386,005</b>  | <b>1,282,688</b>  | <b>1,013,294</b>  | <b>570,741</b>    |
| <b>Fund Balance</b>  | <b>2,476,936</b>     | <b>3,926,169</b>  | <b>5,124,491</b>  | <b>6,194,747</b>  | <b>7,712,777</b>  | <b>9,228,013</b>  | <b>10,614,018</b> | <b>11,896,706</b> | <b>12,910,000</b> | <b>13,480,741</b> |
| + Reserves from MHCS <sup>5</sup>                          | 25,956,090           |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Fund Balance w/ MHCS Reserves</b>                       | <b>28,433,025</b>    | <b>29,882,259</b> | <b>31,080,580</b> | <b>32,150,836</b> | <b>33,668,867</b> | <b>35,184,102</b> | <b>36,570,107</b> | <b>37,852,795</b> | <b>38,866,089</b> | <b>39,436,831</b> |

<sup>1</sup> Taxes levied from property assessments are projected in the transition year based on the incorporation application's proposal for reorganization of the CSD.

<sup>2</sup> Special Taxes include 4 ordinances for Roads, Public Safety, Parks & Recreation, and Public Works.

<sup>3</sup> Contingency at 10% is consistent with the Governor's Office of Planning and Research Guidelines for Incorporation.

<sup>4</sup> Because the costs transferred from the County of San Joaquin outweigh the tax revenues, the City as projected is not expected to pay any Revenue Neutrality payments.

<sup>5</sup> MHCS Reserves defined as unassigned General Fund Balance on June 30, 2022 less reserves set aside for Subsidiary District



**SPECIAL TAX FUND(S) SUMMARY  
PROPOSED BOUNDARY**

**Annual Special Tax Fund(s) Operating Budgets**

| <b>Special Taxes</b>                                 | <b>Transition<br/>7/1/24</b> | <b>7/1/25</b>      | <b>7/1/26</b>      | <b>7/1/27</b>      | <b>7/1/28</b>      | <b>7/1/29</b>      | <b>7/1/30</b>      | <b>7/1/31</b>       | <b>7/1/32</b>       | <b>7/1/33</b>       |
|--|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| <b>Special Tax No. 1, Roads, (Ord. 96-1)</b>         |                              |                    |                    |                    |                    |                    |                    |                     |                     |                     |
| Beginning Fund Balance                               | \$ -                         | 2,107,472          | 4,771,370          | 8,100,291          | 11,377,261         | 15,302,491         | 19,709,315         | 24,636,738          | 30,009,432          | 35,808,071          |
| <b>Total Revenues</b>                                | <b>9,434,063</b>             | <b>10,318,968</b>  | <b>11,351,296</b>  | <b>12,356,141</b>  | <b>13,191,942</b>  | <b>13,968,637</b>  | <b>14,739,230</b>  | <b>15,467,450</b>   | <b>16,122,509</b>   | <b>16,742,595</b>   |
| Community Development                                | (51,852)                     | (59,285)           | (68,094)           | (69,625)           | (78,014)           | (84,787)           | (91,944)           | (98,396)            | (104,605)           | (110,404)           |
| Public Works   | (3,729,631)                  | (3,798,156)        | (3,861,663)        | (3,802,137)        | (3,657,781)        | (3,608,085)        | (3,514,038)        | (3,441,721)         | (3,324,721)         | (3,213,019)         |
| Section 1.B Administrative Expenses                  | (3,025,923)                  | (3,205,284)        | (3,412,385)        | (3,615,909)        | (3,798,117)        | (3,987,041)        | (4,175,016)        | (4,368,539)         | (4,557,244)         | (4,745,657)         |
| Excess Road Fund Expenditures                        | (519,185)                    | (592,345)          | (680,233)          | (1,591,500)        | (1,732,800)        | (1,881,900)        | (2,030,810)        | (2,186,100)         | (2,337,300)         | (2,489,200)         |
| <b>Total Expenditures</b>                            | <b>(7,326,592)</b>           | <b>(7,655,070)</b> | <b>(8,022,375)</b> | <b>(9,079,171)</b> | <b>(9,266,712)</b> | <b>(9,561,812)</b> | <b>(9,811,808)</b> | <b>(10,094,756)</b> | <b>(10,323,870)</b> | <b>(10,558,280)</b> |
| Net Revenue / (Deficit)                              | 2,107,472                    | 2,663,898          | 3,328,921          | 3,276,970          | 3,925,230          | 4,406,825          | 4,927,422          | 5,372,694           | 5,798,639           | 6,184,315           |
| Ending Fund Balance                                  | 2,107,472                    | 4,771,370          | 8,100,291          | 11,377,261         | 15,302,491         | 19,709,315         | 24,636,738         | 30,009,432          | 35,808,071          | 41,992,386          |
| <b>Special Tax No. 2, Public Safety, (Ord. 96-2)</b> |                              |                    |                    |                    |                    |                    |                    |                     |                     |                     |
| Beginning Fund Balance                               | \$ -                         | -                  | -                  | -                  | -                  | -                  | -                  | -                   | -                   | -                   |
| <b>Total Revenues</b>                                | <b>4,893,764</b>             | <b>5,394,361</b>   | <b>5,975,408</b>   | <b>6,548,256</b>   | <b>7,040,440</b>   | <b>7,507,401</b>   | <b>7,976,070</b>   | <b>8,427,898</b>    | <b>8,847,009</b>    | <b>9,252,640</b>    |
| Law Enforcement                                      | (2,402,832)                  | (2,648,580)        | (2,933,704)        | (3,214,878)        | (3,456,470)        | (3,685,350)        | (3,915,035)        | (4,136,199)         | (4,341,254)         | (4,539,620)         |
| Fire Protection                                      | (2,402,832)                  | (2,648,580)        | (2,933,704)        | (3,214,878)        | (3,456,470)        | (3,685,350)        | (3,915,035)        | (4,136,199)         | (4,341,254)         | (4,539,620)         |
| Animal Control                                       | (88,100)                     | (97,200)           | (108,000)          | (118,500)          | (127,500)          | (136,700)          | (146,000)          | (155,500)           | (164,500)           | (173,400)           |
| <b>Total Expenditures</b>                            | <b>(4,893,764)</b>           | <b>(5,394,361)</b> | <b>(5,975,408)</b> | <b>(6,548,256)</b> | <b>(7,040,440)</b> | <b>(7,507,401)</b> | <b>(7,976,070)</b> | <b>(8,427,898)</b>  | <b>(8,847,009)</b>  | <b>(9,252,640)</b>  |
| Net Revenue / (Deficit)                              | -                            | -                  | -                  | -                  | -                  | -                  | -                  | -                   | -                   | -                   |
| Ending Fund Balance                                  | -                            | -                  | -                  | -                  | -                  | -                  | -                  | -                   | -                   | -                   |
| <b>Special Tax No. 3, Parks, (Ord. 96-3)</b>         |                              |                    |                    |                    |                    |                    |                    |                     |                     |                     |
| Beginning Fund Balance                               | \$ -                         | -                  | -                  | -                  | -                  | -                  | -                  | -                   | -                   | -                   |
| <b>Total Revenues</b>                                | <b>990,141</b>               | <b>1,156,825</b>   | <b>1,345,792</b>   | <b>1,543,297</b>   | <b>1,736,898</b>   | <b>1,934,758</b>   | <b>2,141,084</b>   | <b>2,352,780</b>    | <b>2,566,897</b>    | <b>2,786,207</b>    |
| Public Works   | (48,541)                     | (160,025)          | (285,792)          | (420,797)          | (558,598)          | (698,258)          | (846,984)          | (999,280)           | (1,155,397)         | (1,316,807)         |
| Recreation   | (753,500)                    | (789,400)          | (829,600)          | (869,600)          | (906,300)          | (944,500)          | (982,600)          | (1,021,700)         | (1,060,400)         | (1,099,200)         |
| Library  | (188,100)                    | (207,400)          | (230,400)          | (252,900)          | (272,000)          | (292,000)          | (311,500)          | (331,800)           | (351,100)           | (370,200)           |
| <b>Total Expenditures</b>                            | <b>(990,141)</b>             | <b>(1,156,825)</b> | <b>(1,345,792)</b> | <b>(1,543,297)</b> | <b>(1,736,898)</b> | <b>(1,934,758)</b> | <b>(2,141,084)</b> | <b>(2,352,780)</b>  | <b>(2,566,897)</b>  | <b>(2,786,207)</b>  |
| Net Revenue / (Deficit)                              | -                            | -                  | -                  | -                  | -                  | -                  | -                  | -                   | -                   | -                   |
| Ending Fund Balance                                  | -                            | -                  | -                  | -                  | -                  | -                  | -                  | -                   | -                   | -                   |
| <b>Special Tax No. 4, Public Works, (Ord. 96-4)</b>  |                              |                    |                    |                    |                    |                    |                    |                     |                     |                     |
| Beginning Fund Balance                               | \$ -                         | -                  | -                  | -                  | -                  | -                  | -                  | -                   | -                   | -                   |
| <b>Total Revenues</b>                                | <b>1,032,827</b>             | <b>1,203,436</b>   | <b>1,397,008</b>   | <b>1,598,924</b>   | <b>1,796,040</b>   | <b>1,997,060</b>   | <b>2,206,473</b>   | <b>2,420,988</b>    | <b>2,637,513</b>    | <b>2,859,011</b>    |
| <b>Total Expenditures (Public Works)</b>             | <b>(1,032,827)</b>           | <b>(1,203,436)</b> | <b>(1,397,008)</b> | <b>(1,598,924)</b> | <b>(1,796,040)</b> | <b>(1,997,060)</b> | <b>(2,206,473)</b> | <b>(2,420,988)</b>  | <b>(2,637,513)</b>  | <b>(2,859,011)</b>  |
| Net Revenue / (Deficit)                              | -                            | -                  | -                  | -                  | -                  | -                  | -                  | -                   | -                   | -                   |
| Ending Fund Balance                                  | -                            | -                  | -                  | -                  | -                  | -                  | -                  | -                   | -                   | -                   |

**APPENDIX 9 - SPECIAL TAX FUNDS SUMMARY - PROPOSED BOUNDARY**

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**APPENDIX 10 - SAN JOAQUIN COUNTY AUDITOR RESPONSE TO RFI**

*RESPONSE INCLUDED AS ATTACHMENT TO THIS CFA*



JEFFERY M. WOLTKAMP, CPA  
**AUDITOR-CONTROLLER**  
SAN JOAQUIN COUNTY



ASSISTANT AUDITOR-CONTROLLER  
Tod Hill

CHIEF DEPUTIES  
Randipa Gauba -Accounting  
Janice McCutcheon, CPA -Internal Audit  
Lori Roller -Payroll  
Stanley Lawrence -Property Tax

March 13, 2023

Jocelyn Sanchez, Analyst  
RSG  
17872 Gillette Avenue, Suite 350  
Irvine, CA 92614

**Via Electronic Mail**

**RE: Mountain House Community Services District Incorporation**

Dear Jocelyn,

This letter is in response to your February 28, 2023 request for updated information pertaining to certain revenues collected by our office for the community of Mountain House during fiscal 2021-22. Below are our responses to your specific questions.

**Revenue Sources:**

**Fines and Forfeitures** – These revenues are collected by the San Joaquin County Superior Court (Court) and passed to the County for distribution. Per the Court...."We believe the incorporation of Mountain House would result in an estimated collection of \$16,398 and \$16,548 in annual revenue from Fines and Forfeitures (Eligible to be apportioned to City following incorporation) for Study Area 1 and Study Area 2, respectively. We based our estimates on the proportional population of the two Study Area's relative to the City of Tracy, though we did include estimates based on the relative square mileage as well." Calculations are attached.

**Franchise Fees** – Per the San Joaquin County Administrator's Office, the County does not collect any franchise fee revenues on behalf of the Mountain House community. In each instance below, the service provider either pays the Mountain House Community Services District directly, or does not provide services to the area.

Cable Television - Comcast – pays franchise fees directly to Mountain House CSD.

Cable Television - Charter/Spectrum – no franchise fees currently received.

Cable Television - DirectTV – pays franchise fees directly to Mountain House CSD.

Water - CalWater – does not provide services to Mountain House community.

Electric and Gas - PG&E – pays franchise fees directly to Mountain House CSD.

Solid Waste Hauler – no franchise fees currently received.

44 N. San Joaquin Street, Suite 550, Stockton, California 95202  
Main (209) 468-3925, Main FAX (209) 468-3681 - Payroll (209) 468-3928, Payroll FAX (209) 468-0408  
[www.sjgov.org/auditor/](http://www.sjgov.org/auditor/)

**Property Taxes** – Our office apportioned property tax revenues for 2021-22 for the areas requested as follows (including property tax administrative fees charged):

| Sum of Amount      |                                | Entity                |                     |                     |                     |                     |
|--------------------|--------------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Account#           | Description                    | County General        | Fr Camp Fire        | Tracy Rural Fire    | MHCSD Study 1       | MHCSD Study 2       |
| - 4100100010       | PROPERTY TAX-SECURED           | 170,318,600.91        | 767,896.09          | 7,418,676.46        | 6,196,462.94        | 6,231,163.13        |
| - 4100200070       | PROPERTY TAX-SECURED-SB813     | 8,645,850.28          | 40,720.48           | 377,264.62          | 318,660.97          | 320,445.47          |
| - 4101000000       | PROPERTY TAX-UNSECURED         | 8,012,406.79          | 37,675.82           | 368,697.72          | 312,237.21          | 313,985.74          |
| - 4101000007       | PROPERTY TAX-UNSECURED-SB813   | 141,508.33            | 679.40              | 6,056.64            | 5,100.30            | 5,128.86            |
| - 4101000010       | PROPERTY TAX-UNSECURED-BOAT    | 256,188.23            |                     |                     |                     |                     |
| - 4101000020       | PROPERTY TAX-SB 813-PRIOR      | 34,169.04             | 161.58              | 1,440.10            | 1,208.40            | 1,215.17            |
| - 4101000030       | PROPERTY TAX-UNSECURED-PRIOR   | 214,276.20            | 951.94              | 7,933.61            | 6,089.56            | 6,123.66            |
| - 4101000101       | PROP TAX-RESID DISTR-MTCA SA   | 1,872,619.91          |                     |                     |                     |                     |
| - 4101000102       | PROP TAX-RESID DISTR-RIPN SA   | 817,614.98            |                     |                     |                     |                     |
| - 4101000103       | PROP TAX-RESID DISTR-STKN SA   | 3,218,418.79          |                     |                     |                     |                     |
| - 4101000104       | PROP TAX-RESID DISTR-TRCY SA   | 1,128,897.91          |                     |                     |                     |                     |
| - 4101000203       | PROPERTY TAX-LMIHF-STOCKTON SA | 278,566.49            |                     |                     |                     |                     |
| - 4316000000       | PENALTIES ON DEL TAXES-COST    | 194,885.00            |                     |                     |                     |                     |
| - 4316000001       | PENALTIES ON DEL TAXES-INT     | 756,596.70            |                     |                     |                     |                     |
| - 4316001000       | PENALTIES-DELINQ-SB813         | 65,348.36             |                     |                     |                     |                     |
| - 4505500000       | ST-HOMEOWNER PROP TAX          | 1,182,599.86          | 5,380.80            | 52,670.76           | 44,605.50           | 44,855.29           |
| - 4576000000       | OTHER GOVT-REDEVLMT PASS-THR   | 6,361,274.42          |                     |                     |                     |                     |
| - 4605010000       | DIRECT ASSESSMENTS-WEED ABATE  | 64,289.78             |                     |                     |                     |                     |
| - 4605100000       | SPECIAL ASSESSMENTS-PRIOR      | 236,932.49            | 533.72              | 5,263.73            |                     |                     |
| - 4605110000       | SPECIAL ASSESSMENTS-CURRENT    | 2,977,353.90          | 298,812.20          | 1,578,306.72        |                     |                     |
| <b>Grand Total</b> |                                | <b>206,778,398.36</b> | <b>1,152,812.03</b> | <b>9,816,310.36</b> | <b>6,884,364.88</b> | <b>6,922,917.32</b> |

|   | County General | Fr Camp Fire | Tracy Rural Fire | MHCSD Study 1 | MHCSD Study 2 |
|---|----------------|--------------|------------------|---------------|---------------|
| Admin Fee %                               | 0%             | 0.0862%      | 0.8984%          | 0.7275%       | 0.7275%       |
| Admin Fee \$ (17,646,827 Total Admin Fee) | -              | 15,205.00    | 158,547.00       | 128,380.00    | 128,380.00    |

**Countywide 2021-22 "Auditor's Ratio" for the San Joaquin County General Fund** – Per the attached Auditor's Ratio Report, the ratio calculated pursuant to Government Code Section 56810(c)(1) for the fiscal year 2021-22 was 55.9%.

Please let our office know if you have any questions or need further detail or clarification.

Sincerely,



Jeffery M. Woltkamp, CPA

Auditor-Controller

CC: Jerome Wilverding, San Joaquin County Administrator

Attachments

San Joaquin County Superior Court  
 Mountain House Incorporation Proposal  
 Estimate of Projected Annual Revenue Collected from Fines and Forfeitures  
 Updated 3/3/2023

|   |              |
|---|--------------|
| <b>Average City of Tracy<br/>Fine/Fee Revenue for<br/>Past Three Fiscal Years</b> | \$ 82,903.66 |
|---|--------------|

| <b>Estimate by Population</b> |                    |                     |                     |
|-------------------------------|--------------------|---------------------|---------------------|
|                               | Tracy Jurisdiction | Mtn House 1         | Mtn House 2         |
| Population                    | 123,051            | 24,339              | 24,561              |
| % of Tracy Population         |                    | 19.78%              | 19.96%              |
| Est. Annual Revenue           |                    | <b>\$ 16,398.01</b> | <b>\$ 16,547.58</b> |

| <b>Estimate by Square Mileage</b> |                    |                    |                    |
|-----------------------------------|--------------------|--------------------|--------------------|
|                                   | Tracy Jurisdiction | Mtn House 1        | Mtn House 2        |
| Sq. Miles                         | 32.615             | 6.47               | 6.70               |
| % of Tracy Sq. Miles              |                    | 19.84%             | 20.54%             |
| Est. Annual Revenue               |                    | <b>\$16,446.01</b> | <b>\$17,030.65</b> |
|                                   |                    |                    |                    |

County of San Joaquin  
**AUDITOR RATIO CALCULATION**  
 Based on FY 21/22 Actuals  
 (per Govt Code sec. 56810)

|                                |   |                       |   |              |
|--------------------------------|---|-----------------------|---|--------------|
| <u>Property Tax</u>            | = | 201,948,237.41        | = | <b>RATIO</b> |
| <u>General Purpose Revenue</u> |   | <u>361,092,583.94</u> |   | <b>55.9%</b> |

|                         |                                | General Purpose Revenue | Property Tax          |
|-------------------------|--------------------------------|-------------------------|-----------------------|
| <b>REVENUES-GENERAL</b> |                                |                         |                       |
| 4100100010              | PROPERTY TAX-SECURED           | 170,318,600.91          | 170,318,600.91        |
| 4100100050              | PROPERTY TAX-IN LIEU VLF       | 105,757,554.36          |                       |
| 4100200070              | PROPERTY TAX-SECURED-SB813     | 8,645,850.28            | 8,645,850.28          |
| 4101000000              | PROPERTY TAX-UNSECURED         | 8,012,406.79            | 8,012,406.79          |
| 4101000007              | PROPERTY TAX-UNSECURED-SB813   | 141,508.33              | 141,508.33            |
| 4101000020              | PROPERTY TAX-SB 813-PRIOR      | 34,169.04               | 34,169.04             |
| 4101000030              | PROPERTY TAX-UNSECURED-PRIOR   | 214,276.20              | 214,276.20            |
| 4101000101              | PROP TAX-RESID DISTR-MTCA SA   | 1,872,619.91            | 1,872,619.91          |
| 4101000102              | PROP TAX-RESID DISTR-RIPN SA   | 817,614.98              | 817,614.98            |
| 4101000103              | PROP TAX-RESID DISTR-STKN SA   | 3,218,418.79            | 3,218,418.79          |
| 4101000104              | PROP TAX-RESID DISTR-TRCY SA   | 1,128,897.91            | 1,128,897.91          |
| 4101000203              | PROPERTY TAX-LMIHF-STOCKTON SA | 278,566.49              |                       |
| 4107000000              | SALES AND USE TAXES            | 33,566,178.73           |                       |
| 4107000040              | SALES AND USE TAXES-TRANSPORT  | 2,000.00                |                       |
| 4109000030              | OTHER TAXES-DOCUMENTARY STAMP  | 8,206,026.35            |                       |
| 4109000050              | OTHER TAXES-RACEHORSE          | 903.21                  |                       |
| 4208001010              | FRANCHISES-GENERAL-CA WATER    | 279,362.78              |                       |
| 4208001020              | FRANCHISES-GENERAL-PG&E GAS    | 730,081.19              |                       |
| 4208001030              | FRANCHISES-GENERAL-PG&E ELECTR | 1,928,276.62            |                       |
| 4208003010              | FRANCHISES-CATV                | 702,331.24              |                       |
| 4208003030              | FRANCHISES-CATV-ATT            | 51,809.46               |                       |
| 4316000001              | PENALTIES ON DEL TAXES-INT     | 756,596.70              |                       |
| 4316001000              | PENALTIES-DELINQ-SB813         | 65,348.36               |                       |
| 4400000000              | INTEREST INCOME                | 1,620,175.15            |                       |
| 4504000600              | ST-MOTO VHCL FEE-R&T11001.5(B) | 758,005.18              |                       |
| 4505110000              | STATE-IN-LIEU TAXES            | -                       |                       |
| 4505500000              | ST-HOMEOWNER PROP TAX          | 1,182,599.86            | 1,182,599.86          |
| 4574000200              | OTHR GOVT-HOUSING AUTH IN LIEU | 20,185.13               |                       |
| 4576000000              | OTHER GOVT-REDEVL MNT PASS-THR | 6,361,274.42            | 6,361,274.42          |
| 4601002000              | PROP TAX ADMIN-SB813           | 1,262,507.71            |                       |
| 4601200000              | REDEMPTION FEES                | 46,230.00               |                       |
| 4605100000              | SPECIAL ASSESSMENTS-PRIOR      | 181,918.19              |                       |
| 4605110000              | SPECIAL ASSESSMENTS-CURRENT    | 2,930,253.88            |                       |
| 4707000000              | OTHER MISC REVENUES            | 35.80                   |                       |
| <b>Totals</b>           |                                | <b>361,092,583.94</b>   | <b>201,948,237.41</b> |

## Follow-up Report to the 2020-2021 San Joaquin County Grand Jury



### Independent Special Districts: Transparency “Not Found”

#### Case #0220

#### Preface

This report contains the responses to the 2021-2022 San Joaquin County Grand Jury follow-up report regarding Independent Special Districts (ISD), the Local Agency Formation Commission (LAFCO), the County of San Joaquin and its Auditor-Controller’s Office and Information Systems Division. This report focuses on the 2021-2022 Grand Jury findings and recommendations and the responses, which are presented verbatim in this report.

The 2022-2023 Grand Jury follow-up determinations are presented after the agency’s response to each recommendation.

**Discussions, findings, and recommendations from the 2022-2023 Grand Jury are in text boxes framed in black.**

Complete copies of the original report and the agency’s responses may be found on the San Joaquin County Grand Jury website at <https://www.sjcourts.org/grandjury/>.

#### Summary

The 2020-2021 Grand Jury investigated San Joaquin County’s 102 Independent Special Districts and related County agencies in response to the lack of public access to dependable, complete, and transparent information on these districts. Beginning in January 2020, SB 929 required all ISDs in California to have websites containing specific information, including agendas, financial statements, and links to the State Controller’s Office. Districts are able to claim an exemption if



they believe that developing a compatible website would be a hardship. Findings and recommendations were made in several areas:

- independent special district website content and development,
- compliance with California legislation, including SB 929 and SB 272,
- enhancement of County websites to collect and share information on all ISDs, and
- establishment of a prototype website for districts unable to develop their own sites.

### **Method of Follow-Up Investigation**

The 2022-2023 Grand Jury reviewed the responses to the 2020-2021 Grand Jury report, *Case #0220 Independent Special Districts: Transparency “Not Found,”* conducted interviews, issued requests for compliance, performed research, and documented the mandatory responses to the findings.

These responses were then reviewed to determine:

- if the agency or elected official’s responses were complete and comprehensible;
- if the agency or elected official would implement the recommendations within the stated deadlines; and
- if confirmation, including written documentation and interviews, was necessary.

### **Glossary**

- **ACO:** Auditor-Controller’s Office.
- **County:** San Joaquin County.
- **District:** San Joaquin County Independent Special District.
- **ISD:** Independent Special District, a local government granted by State statutes to serve a community of people by delivering specialized services not provided by city or county.
- **LAFCO:** Local Agency Formation Commission, “an independent regulatory commission created by the California Legislature to control the boundaries of cities and special districts.” (*It’s Time to Draw the Line: A Citizens Guide to LAFCO*, 6). All 58 counties have a LAFCO.
- **SB 272:** California State Senate Bill 272: Public Records Act: Enterprise System Catalog.
- **SB 929:** California State Senate Bill 929: Special districts: Internet Web sites.
- **State:** State of California.

## Findings, Recommendations, Agency Responses, and Grand Jury Results

### 1.0 All Independent Special Districts

**2021-2022 Grand Jury Finding F1.1:** The District lacks a public website which limits transparency and makes it difficult for constituents to review agendas, financials and other pertinent documents.

**2021-2022 Grand Jury Recommendation R1.1:** By November 30, 2022, the District develop and launch a website that is compliant with all State guidelines, including SB 929 and SB 272, or provide proof of exemption.

The 14 remaining independent special districts from the 2021-2022 follow-up report that had not met the 2020-2021 recommendations now fall into five categories: Website created, working on the website, exempt, dissolved or no contact information available.

**Website Created:**

Reclamation Districts 2062, 2074, 2094, and 2114

Sanitation District: Country Club

**Websites Under Construction:**

Fire Protection Districts: Eastside Rural and Lincoln Rural

**Exempt:**

Reclamation Districts 38, 524, and 2096

**Dissolved:**

California Irrigation District

Dos Reis Storm Water District

**No Contact Information/Status Unknown:**

Boggs Tract Fire Department

Tuxedo-Country Club Rural Fire Department

The 2022-2023 Grand Jury determined to take no further action.

### 2.0 LAFCO

**2021-2022 Grand Jury Finding F2.1:** The local Agency Formation Commission website contains limited information of San Joaquin County's independent special districts which has not been updated since July 2020. The absence of a centralized and detailed database with links to district information makes it difficult for constituents to access information specific to their respective districts.

**Agency Response:** *No response received.*

**2021-2022 Grand Jury Recommendation R2.1:** By December 31, 2022, LAFCO work with the San Joaquin County Information Systems Division to create a webpage on the LAFCO website that lists all independent special districts within San Joaquin County and contains

links to a summary page for each district that includes the district's boundary maps, municipal service reviews and most recent sphere of influence study.

Working with a website development company, LAFCO designed and implemented a new website, [sjlafco.org](http://sjlafco.org), which went live on May 17, 2023. LAFCO staff are currently working to upload all pertinent information to the website. Upon review, the website looks like a good starting point, although it is apparent that information needs to be updated to ensure dependable, complete, and transparent information.

The 2022-2023 Grand Jury determined to take no further action.

**2021-2022 Grand Jury Recommendation R2.2:** By December 31, 2022, LAFCO, in conjunction with the San Joaquin County Information Systems Division, County Auditor-Controller, Registrar of Voters, and the Clerk of the Board of Supervisors, add links to additional district information, including audits, election information and special district board member appointments, to each district's summary page.

The 2022-2023 Grand Jury endeavored to confirm the implementation and adherence to the recommendations of the 2021-2022 Follow-Up Report #0220, *Independent Special Districts: Transparency "Not Found."* While conducting this work, it was discovered that Boggs Tract Fire District had no known contact information or board members. According to LAFCO, an Independent Special District must have a board, with 3, 5, or 7 members who are either appointed by the SJC Board of Supervisors or elected by the community in which the district is located. On LAFCO's new website, Boggs Tract information states that there are three board members who are appointed by the Board of Supervisors, and two must live within the fire district. The following statement is also made: "There are currently no Board members (2022)."

The 2022-2023 Grand Jury found that the longstanding problem with public access to information regarding independent special districts continues. LAFCO's new website is a step in the right direction; however, it is missing the individual ISD website addresses and contains outdated, incorrect contact information. An irrigation district that dissolved in 2018 is listed as active.

The 2022-2023 Grand Jury Finding F1.1: The Boggs Tract Fire District has no Board of Directors, thereby leaving the 284 property owners within the district with absolutely no accountability or transparency for how their taxpayer dollars are allocated.

The 2022-2023 Grand Jury Finding F1.2: Outdated and incorrect contact information hinders the public's right to transparency.

The 2022-2023 Grand Jury Recommendation R1.1: By November 1, 2023, the Local Agency Formation Commission (LAFCO) work with the San Joaquin County Board of Supervisors to ensure that board members are appointed and alert the

newly appointed board members of SB 929, which requires the formation of a website for public transparency and accountability.

The 2022-2023 Grand Jury Recommendation R1.2: By November 1, 2023, LAFCO communicate annually with all Independent Special Districts, requiring they verify contact information for board members and representatives, including phone numbers and addresses, and provide their ISD website address to LAFCO.

The 2022-2023 Grand Jury Recommendation R1.3: By November 1, 2023, LAFCO verify the dissolution of the California Irrigation District, and if dissolved, remove it from the LAFCO website.

### 3.0 San Joaquin Board of Supervisors

The 2022-2023 Grand Jury endeavored to confirm the implementation and adherence to the recommendations of the 2021-2022 Follow-Up Report #0220, *Independent Special Districts: Transparency "Not Found."* While conducting this work, it was discovered that Boggs Tract Fire District had no known contact information or board members. According to LAFCO, an independent special district must have a board, with 3, 5, or 7 members which are either appointed by the Board of Supervisors or elected by the community in which the district is located. On LAFCO's new website, Boggs Tract information states that there are three board members who are appointed by the Board of Supervisors, and two must live within the fire district. The following statement is also made: "There are currently no Board members (2022)."

The 2022-2023 Grand Jury Finding F2.1: The Boggs Tract Fire District has no board of directors, thereby leaving the 284 property owners within the district with absolutely no accountability or transparency for how their taxpayer dollars are allocated.

The 2022-2023 Grand Jury Recommendation R2.1: By November 1, 2023, the Board of Supervisors appoint three board members to the Boggs Tract Fire District following the guidelines that two of the three must live within the fire district.

### 4.0 San Joaquin County Auditor-Controller's Office

2021-2022 Grand Jury Finding F3.1: San Joaquin County Auditor-Controller's Office receives detailed audits from independent special districts but does not make these audits available to the public via the Auditor-Controller's website, denying constituents convenient access to this information.

**Agency Response:** *The Auditor-Controller's Office disagrees with the finding.*

*Effective October 1, 2021, the Auditor-Controller's Office implemented the Grand Jury's original recommendation F4.2..." By December 31, 2021, make all electronic independent special district audits going forward available on the Auditor-Controller's website". All independent special district audit reports received are available through a link located at the following page of the Auditor-Controller's public website: [www.sjgov.org/departments/aud/program-services](http://www.sjgov.org/departments/aud/program-services).*

**2021-2022 Grand Jury Recommendation R3.1:** By October 31, 2022, The San Joaquin County Auditor-Controller post all electronic independent special districts' audits on the Auditor-Controller's website.

**Agency Response:** *Please see the Response to Finding 3.1 above.*

**2021-2022 Grand Jury Recommendation R3.2:** By December 31, 2022, the Auditor-Controller's Office provide the most recent independent special district audit links to LAFCO for their independent special district summary webpages.

**Agency Response:** *The ACO concurs with the recommendation.*

*The ACO will work with the County's Information Systems Division and LAFCO to provide the most recent independent special district audit links to LAFCO for their new independent special district summary webpages.*

**LAFCO created a website in May 2023 and is working to populate the site with current information. The link to financial reports does not connect directly to records for that district, only to the Auditor-Controller's home page. The Grand Jury is hopeful that the Auditor-Controller's Office will continue to work with the Local Agency Formation Commission on this endeavor to bring full, dependable, and complete transparent information to the public regarding San Joaquin County's Independent Special Districts.**

**The 2022-2023 Grand Jury determined to take no further action.**

## **Disclaimer**

Grand Jury reports are based on documentary evidence and the testimony of sworn or admonished witnesses, not on conjecture or opinion. However, the Grand Jury is precluded by law from disclosing such evidence except upon specific approval of the Presiding Judge of the Superior Court, or another judge appointed by the Presiding Judge (Penal Code Sections 911, 924.1 (a) and 929). Similarly, the Grand Jury is precluded by law from disclosing the identity of witnesses except upon an order of the court for narrowly defined purposes (Penal Code Sections 924.2 and 929).

## Response Requirements

California Penal Code Sections 933 and 933.05 require that specific responses to all findings and recommendations contained in this report be submitted to the Presiding Judge of the San Joaquin County Superior Court within 90 days of receipt of the report unless otherwise noted.

**The San Joaquin County Local Agency Formation Commission** is required to respond to: Findings F1.1, F1.2, and Recommendations R1.1, R1.2, and R1.3.

**The San Joaquin County Board of Supervisors** is required to respond to:

Findings F2.1 and Recommendation R2.1.

Mail or hand deliver a hard copy of the response to:

Honorable Michael D. Coughlan, Presiding Judge  
San Joaquin County Superior Court  
180 E. Weber Ave., Suite 1306J  
Stockton, California 95202

Also, please email a copy of the response to Mr. Irving Jimenez, Judicial Secretary to the Grand Jury, at [grandjury@sjcourts.org](mailto:grandjury@sjcourts.org).

