



Balancing Community and Commerce

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September 14, 2023

TO : LAFCo Commissioners

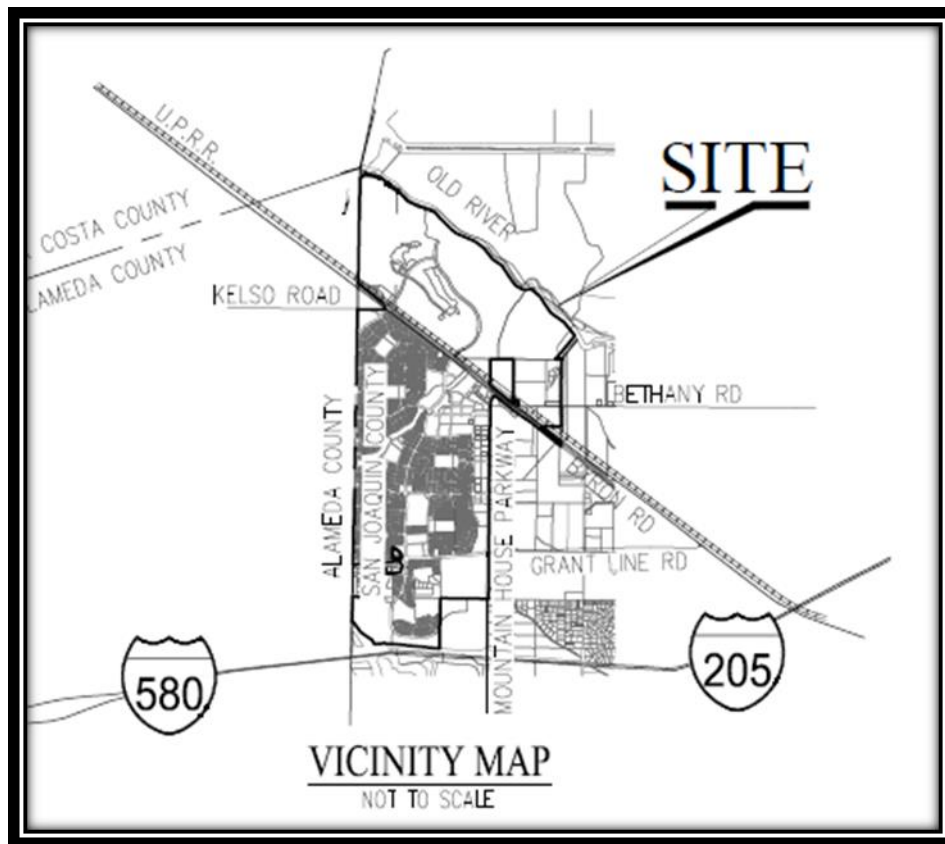
From: Jeffery Hightower

SUBJECT: LAFCO 16-21 ADOPTION OF RESOLUTION 23-1526 A RESOLUTION OF THE SAN JOAQUIN LOCAL AGENCY FORMATION COMMISSION (SJLAFCO) RESOLUTION MAKING DETERMINATIONS, APPROVING AND ORDERING A REORGANIZATION TO INCLUDE INCORPORATION OF THE PROPOSED CITY OF MOUNTAIN HOUSE WITHIN THE AREA IDENTIFIED AS THE SJLAFCO ALTERNATIVE BOUNDARY AND ESTABLISHING ITS SPHERE OF INFLUENCE; DETACHMENT OF SPECIFIED TERRITORY FROM THE TRACY RURAL FIRE PROTECTION DISTRICT; THE DIVESTITURE OF CERTAIN MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT'S (MHCS D) POWERS; ANNEXATION TO MHCS D TO INCLUDE ADDITIONAL TERRITORY TO CORRESPOND WITH THE LAFCO ALTERNATIVE BOUNDARY; THE ESTABLISHMENT OF MHCS D AS A SUBSIDIARY DISTRICT OF THE CITY OF MOUNTAIN HOUSE; AND ADOPTING A NEGATIVE DECLARATION RELATED THERETO

LOCATION:

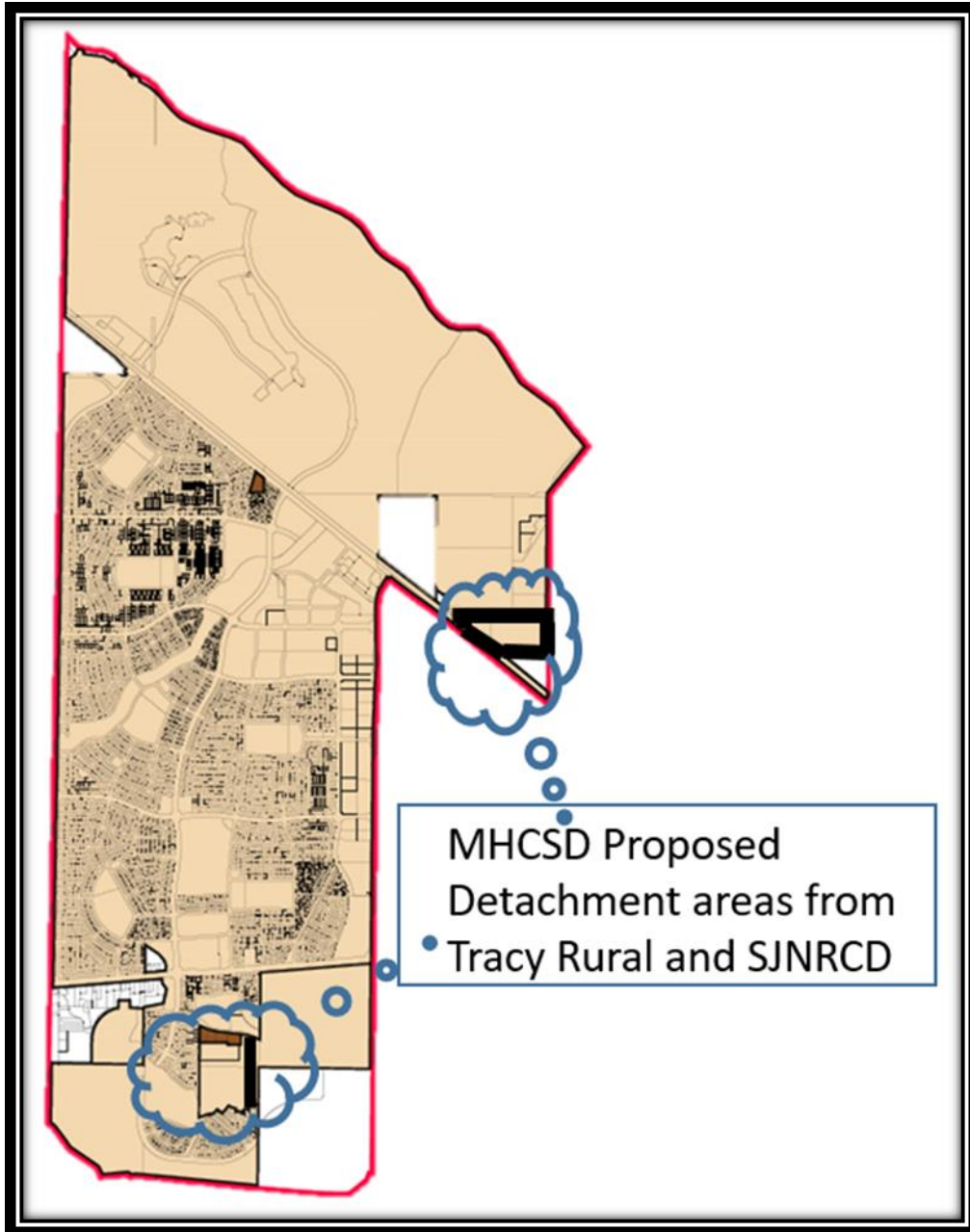
This report provides an overview of the proposed reorganization including the incorporation of Mountain House as the 8th city in San Joaquin County. The Sphere of Influence (SOI) for the existing Mountain House Community Services District (MHCS D) and proposed City of Mountain House (City) will be the same. The SOI amendment is essentially the renaming of the SOI as the City's. The SOI is bounded on the west by the San Joaquin/Alameda County line, the northern boundary is the Old River, the eastern boundary is formed by the Old

River/Wicklund Road, West Byron Road and Mountain House Parkway. The southern boundary is the Robert T. Monagan Freeway (I-205).



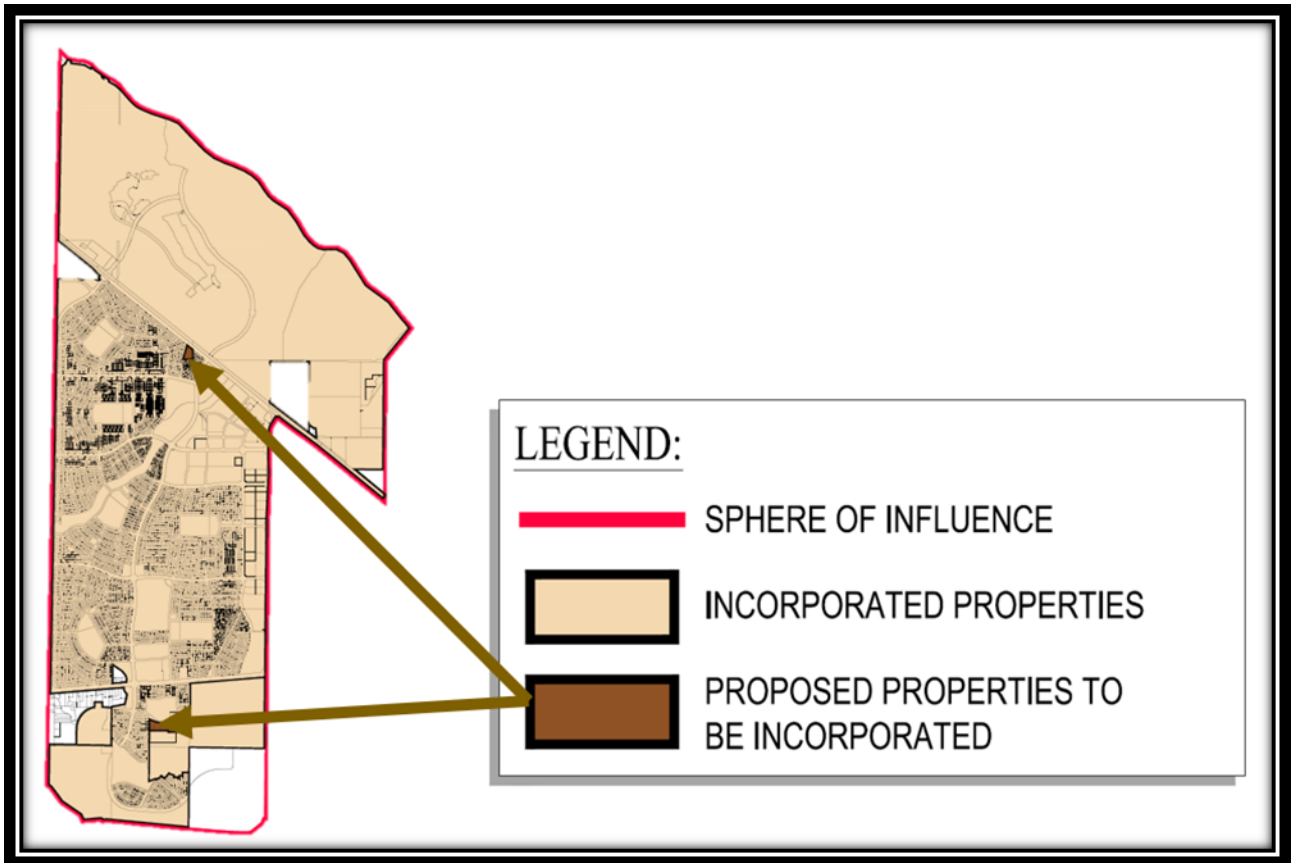
REORGANIZATION BOUNDARIES:

MHCSD first adopted a resolution on January 13, 2021 R-2021-01 and an amended resolution on May 11, 2022 requesting that LAFCo initiate proceedings for incorporation. The boundary proposal by the MHCSD included two areas to be detached from Tracy Rural Fire Protection District in addition to two (2) recently LAFCo approved annexations into MHCSD. The northern detachment area is 40.3 acres and comprised of three (3) parcels (APN 209-150-27, 29 & 30). The southern area is 52.97 acres also comprised of three (3) parcels (APN 209-060-40, 41 and 209-080-33). The two areas in the MHCSD application proposed to be detached are shown below.



Detachment Areas from Tracy Rural and SJNRCD

The MHCSD filed application formed two (2) unincorporated county islands with a total of 5 parcels (APN 209-060-34, 35, 36, 42 and 209-040-04) comprising 10.78 acres. The LAFCo Alternative boundary (LAFCo Alternative Boundary) includes incorporation of these two islands in accordance with Section 56744. These parcels are shown below:



Difference between LAFCo Alternative Boundary and MHCS D Application

The proposed incorporated area for the City of Mountain House predominately follows the existing MHCS D boundaries with a few limited exceptions, as shown above totaling 104.05 +/- acres. The differences between the existing MHCS D boundaries proposed to be included within the City boundaries are:

- Seven parcels (7) totaling 59.94 +/- acres 19382, 19376, 19370, 19364, 19352 West Grant Line Road as well as two yet to be addressed parcels (APN's 209-060-34, 35, 36, 40, 41, and 209-080-33).
- A single parcel of 3.81 +/- acres 18764 West Byron Road (APN 209-040-04).
- Two (2) parcels totaling 40.30 +/- acres within the Bethany triangle area formed by the hypotenuse Byron Road, north leg Bethany Road, and east leg Wicklund Road, 17350 West Bethany Road and a yet to be addressed parcel (APN's 209-150-27 and 30).

MOUNTAIN HOUSE BACKGROUND:

The adoption of Resolution R-2021-01 and R-2022-16 by the MHCS D requesting LAFCo to initiate proceedings for the incorporation of Mountain House was not a new idea but rather a step consistent with the Mountain House Master Plan. The concept of incorporation of Mountain House was envisioned as part of the “new

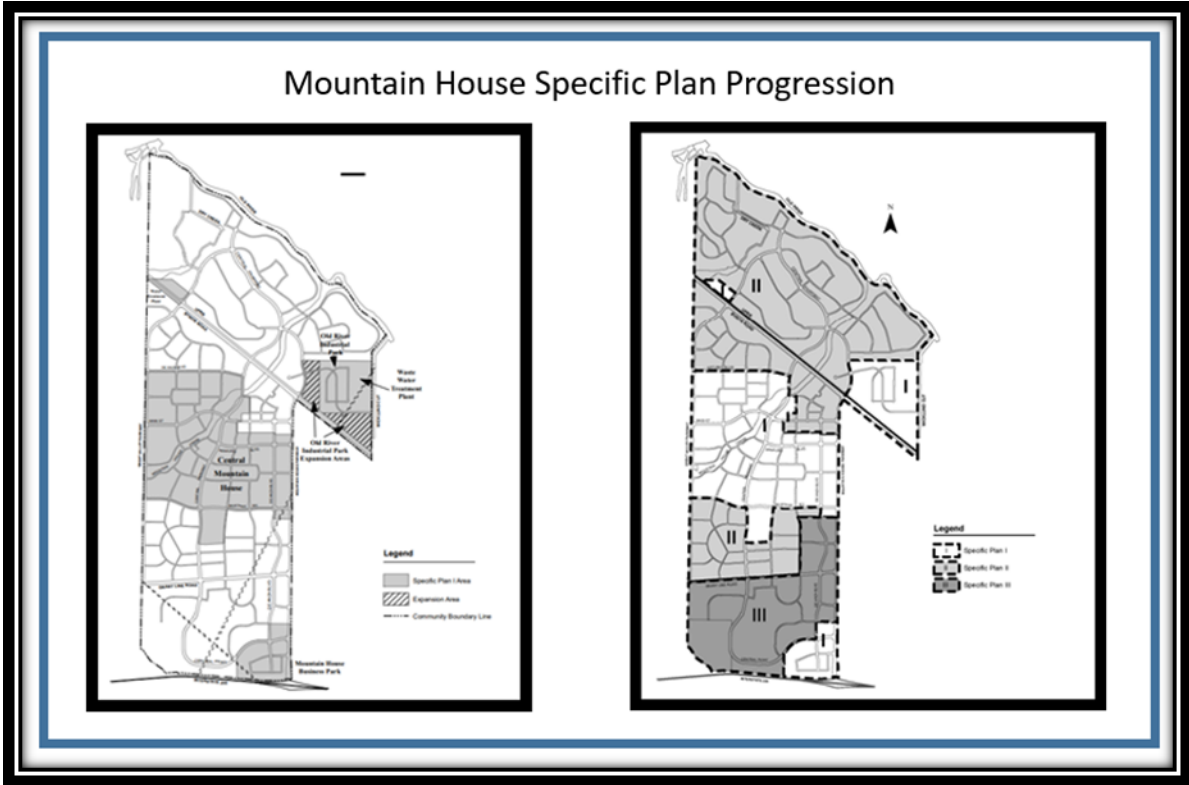
town” concept of the San Joaquin County 2010 General Plan that was adopted by the Board of Supervisors on February 25, 1993. That General Plan benefited by a Final Environmental Impact Report (FEIR) certified in 1992, and a Supplemental Environmental Impact Report (SEIR) in early 1993.

The Mountain House Master Plan was adopted in November 10, 1994. The Master Plan has acted an over-arching policy document for the development of the MHCS D. As a result of adhering to Master Plan policies and plans, deliberate steps towards incorporation have been taken for nearly 30 years. Following the provisions of the Master Plan, the County and MHCS D have achieved a high quality built environment.

The Master Plan objectives, policies, implementation measures and standards have been refined and implemented with three (3) specific plans over the years.

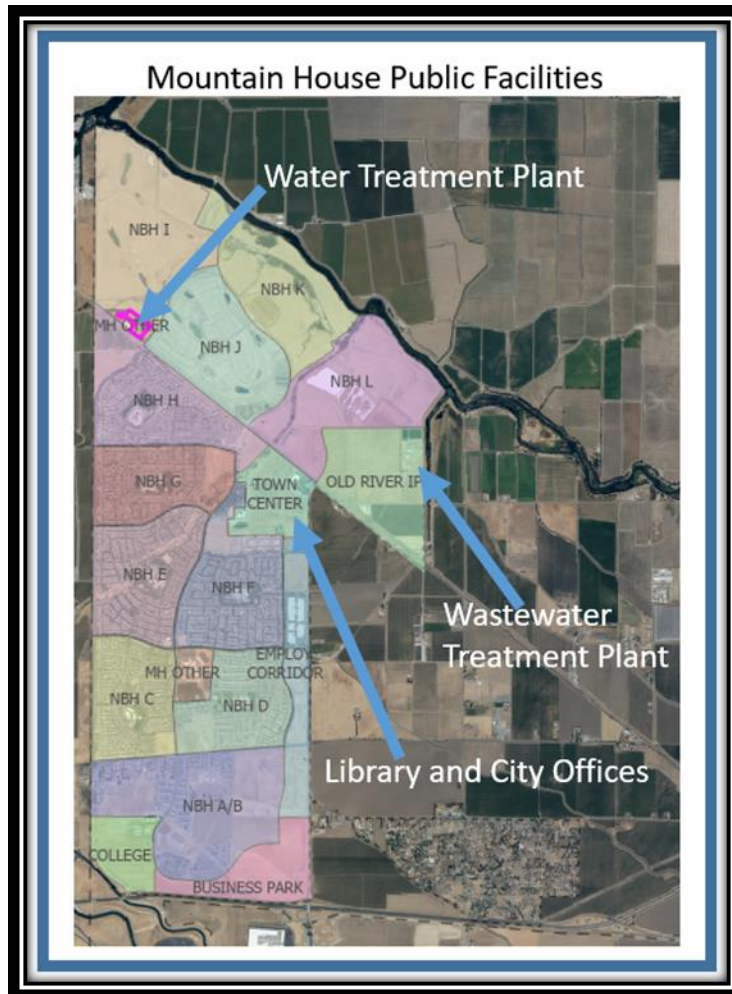
The first Specific Plan (SP1) was adopted on November 10, 1994 and covered 1,348 acres. SP1 consists of three subareas: Central Mountain House, a 1,040-acre subarea located centrally within the Mountain House community; Mountain House Business Park, a 143.5-acre subarea located at the Mountain House Parkway freeway interchange in the southeast corner of the Mountain House community; and Old River Industrial Park, a 164.5-acre subarea located in the northeastern portion of the Mountain House community, between the Old River and Byron Road. Other improvements outside these three subareas consist of a water treatment plant located north of Byron Road, raw water pumping and conveyance, and other infrastructure improvements.

The Second Mountain House Specific Plan (SPII) was adopted on February 8, 2005 and included a total of 2,289 acres with 1,428.1 acres of residential land use, 354.8 acres of commercial land use, 5.9 acres of industrial, 366.1 acres of open space, 96 acres of school site and 38 acres of public facilities. Later that same year Specific Plan 3, November 22, 2005, a third Specific Plan (SPIII) was adopted with a total of 671 acres that included 348.6 acres of residential, 41.3 acres of commercial and industrial and 283.1 acres of public facilities including a 32 acre school site. Below is a composite map showing all three (3) Mountain House Specific Plans.



The County Board of Supervisors acting as Mountain House Community Service District (MHCSD) Directors, initially guided the efforts for the community to be a self-sufficient through the combination of the Specific Plans and the 4 special taxes. In 2008, the residents of MHCSD directly elected District Directors.

New development within the SOI will lead to population growth and the corresponding need for additional public facilities and service for the future City. The future growth areas are governed by the provisions of Mountain House Master Plan as well as Mountain House Specific Plans II (predominately north of the Byron Highway) and SP III governing most of the southern area near I-205 with a the exception of an area on the north west corner of Mountain House Parkway that is governed by SP I.



REORGANIZATION NEED:

As of the 2020 Decennial Census, the last time the area was officially tallied, Mountain House was hometown to 24,499 residents, today the 2023 population is estimated at 27,032 an almost 3,000 resident increase since 2020.

The Mountain House Master Plan area encompasses approximately 7.5 square miles, while the proposed incorporated city limits encompasses 6.48 square miles.

The Proposed Boundary, and by extension the Master Plan area, experienced a tremendous amount of growth in recent years, averaging approximately 15 percent increase in residents per year since 2010. The growth is attributed to an upswing in the housing cycle industry and the ability of the MHCSO to provide needed services.

REORGANIZATION FINDINGS:

The Cortese-Knox-Hertzburg Act (CKH), Section 56720 directs that the Commission shall not approve or conditionally approve any proposal that includes an incorporation, unless the it finds, based on the entire record, that:

(a) The proposed incorporation is consistent with the intent of this division, including, but not limited to, the policies of Sections 56001, 56300, 56301, and 56377.

(b) It has reviewed the spheres of influence of the affected local agencies and the incorporation is consistent with those spheres of influence.

(c) It has reviewed the comprehensive fiscal analysis prepared pursuant to Section 56800 and the Controller's report prepared pursuant to Section 56801.

(d) It has reviewed the executive officer's report and recommendation prepared pursuant to Section 56665, and the testimony presented at its public hearing.

(e) The proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.

It is staff's recommendation that the Commission make the findings necessary for the incorporation. Below is analysis of the required findings.

The proposed incorporation is consistent with the intent of this division, including, but not limited to, the policies of Sections 56001, 56300, 56301, and 56377.

Section 56001 (a partial excerpt as follows) sets out the state's the policy to "encourage orderly growth and development which are essential to the social, fiscal, and economic well-being of the state. The Legislature recognizes that the logical formation and determination of local agency boundaries is an important factor in promoting orderly development and in balancing that development with sometimes competing state interests of discouraging urban sprawl, preserving open-space and prime agricultural lands, and efficiently extending government services. The Legislature also recognizes that providing housing for persons and families of all incomes is an important factor in promoting orderly development."

Accordingly, the Mountain House Master Plan and its accompanying EIR were adopted in 1994 with goals that align with the State goals, namely:

- Create a high-quality environment where people of all economic levels can live and work.
- Develop a distinct and unique new community that is separate from existing communities.
- Develop Mountain House as a full service community that will accommodate a portion of the growth projected by the 2035 General Plan for San Joaquin County in an orderly, well-organized development pattern.
- Provide for a lifestyle that is less reliant on the automobile, more involved with activities within the local community and Neighborhoods, and more oriented to use of transit, bicycle and pedestrian transport.

Adherence to the goals of the Master Plan by both initially the Board of Supervisors and later since 2008 the MHCS D has resulted in an incorporation proposal that meets the State goals stated in Section 65001.

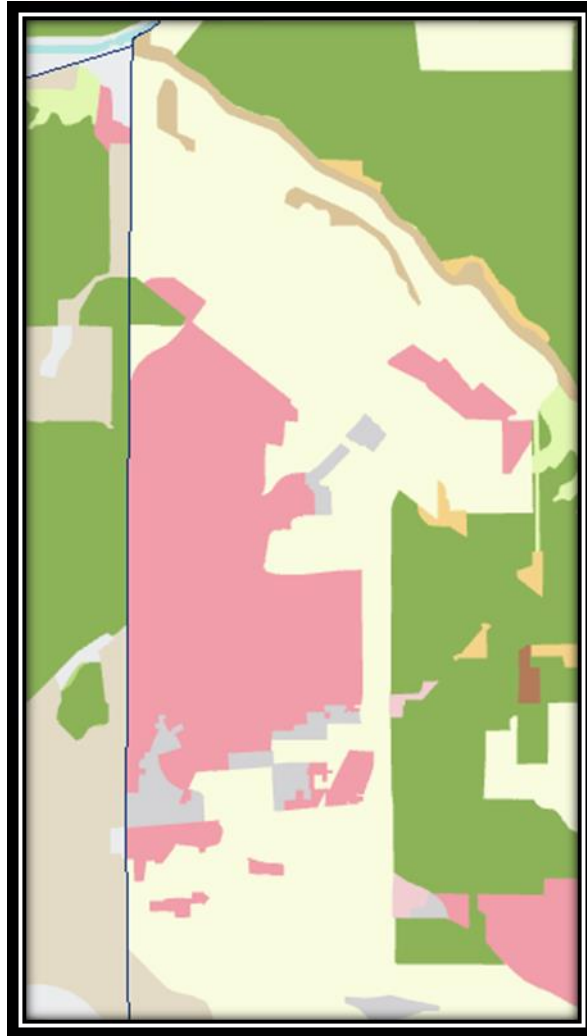
Section 56300 in part, states the intent of the State that “Each commission, not later than January 1, 2002, shall establish written policies and procedures and exercise its powers pursuant to this part in a manner consistent with those policies and procedures and that encourages and provides planned, well-ordered, efficient urban development patterns with appropriate consideration of preserving open-space and agricultural lands within those patterns.” The Commission has written policies that are posted on the SJLAFCo website and implemented on a daily basis. In particular to incorporation, the Commission has a policy in this regard that was adopted earlier in 2023. The proposal has been reviewed in accordance with Commission policies.

Section 56301 in part states among other ideas particular to this reorganization including incorporation that, “When the formation of a new government entity is proposed, a commission shall make a determination as to whether existing agencies can feasibly provide the needed service or services in a more efficient and accountable manner.” The MHCSD has been the provider of urban services to the Mountain House community since before the issuance of the first building permit. In this sense, the transfer of service responsibilities from MHCSD (except the enforcement of CC&Rs) to the proposed new City of Mountain House represents the evolution of a governmental institution that will give residents a greater voice in local control rather than a new governmental entity. There is no particular reason to think that MHCSD could provide the services more efficiently than the proposed City.

Section 56377 in part states that “In reviewing and approving or disapproving proposals which could reasonably be expected to induce, facilitate, or lead to the conversion of existing open-space lands to uses other than open-space uses, the commission shall consider all of the following policies and priorities:

- (a) Development or use of land for other than open-space uses shall be guided away from existing prime agricultural lands in open-space use toward areas containing nonprime agricultural lands, unless that action would not promote the planned, orderly, efficient development of an area. Development within jurisdiction
- (b) Development of existing vacant or nonprime agricultural lands for urban uses within the existing jurisdiction of a local agency or within the sphere of influence of a local agency should be encouraged before any proposal is approved which would allow for or lead to the development of existing open-space lands for non-open-space uses which are outside of the existing jurisdiction of the local agency or outside of the existing sphere of influence of the local agency.”

The new City of Mountain House will have the same exterior boundaries as the existing MHCSD and as depicted in the Mountain House Master Plan. This entire area is either classified as farmland of local importance, urban built-up land or vacant or disturbed land according to the State Department of Conservation, Farmland Mapping Unit. Thus no impacts to prime agricultural lands will result from the proposed reorganization including the incorporation of the MHCSD.



Mountain House Farmland Mapping

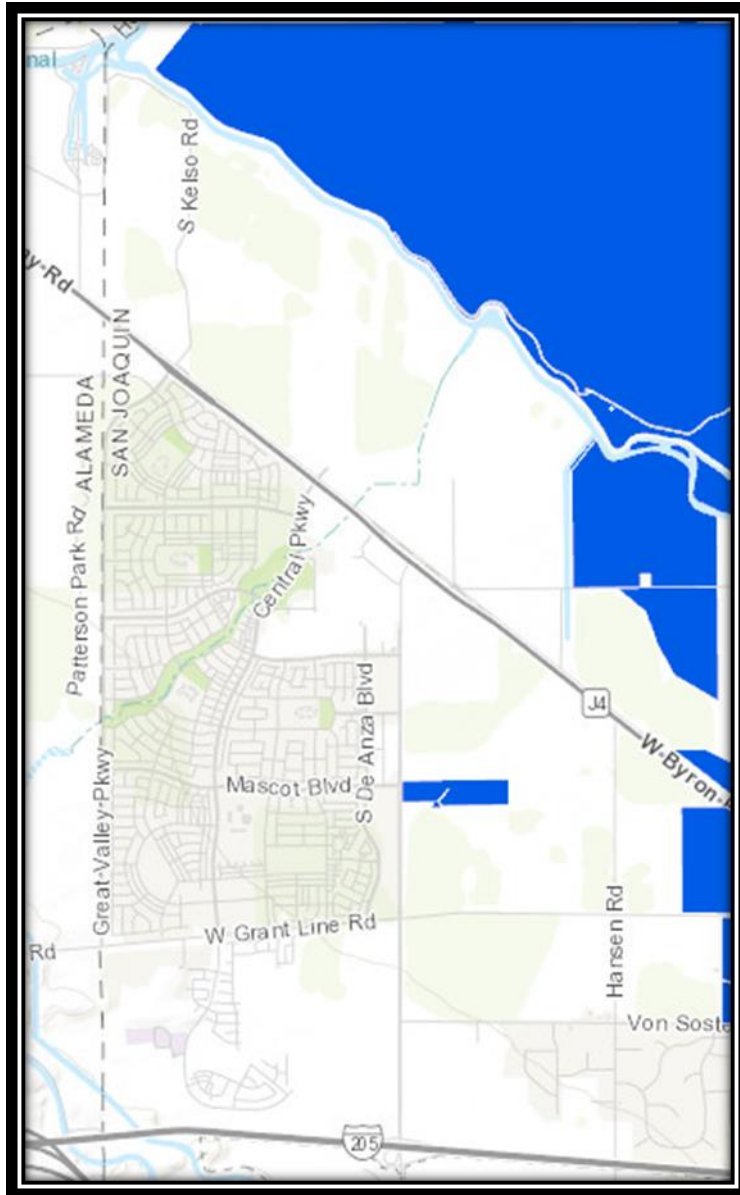
beige = Farmland of Local Importance

pink = urban and built-up

gray = vacant or disturbed land

Farmland Mapping Staff. Important Farmland 2018 for San Joaquin County. State of California Department of Conservation, Division of Land Resource Protection. Available online at <https://www.conservation.ca.gov/dlrp/fmmp/Pages/Fresno.aspx> July, 2020. Accessed September 2023.

Adjacent to the proposed SOI for the proposed City are properties that were, as of latest maps available October 2015, under Williamson Act contracts. Inclusion of these properties are not part of the recommended City of Mountain House SOI.



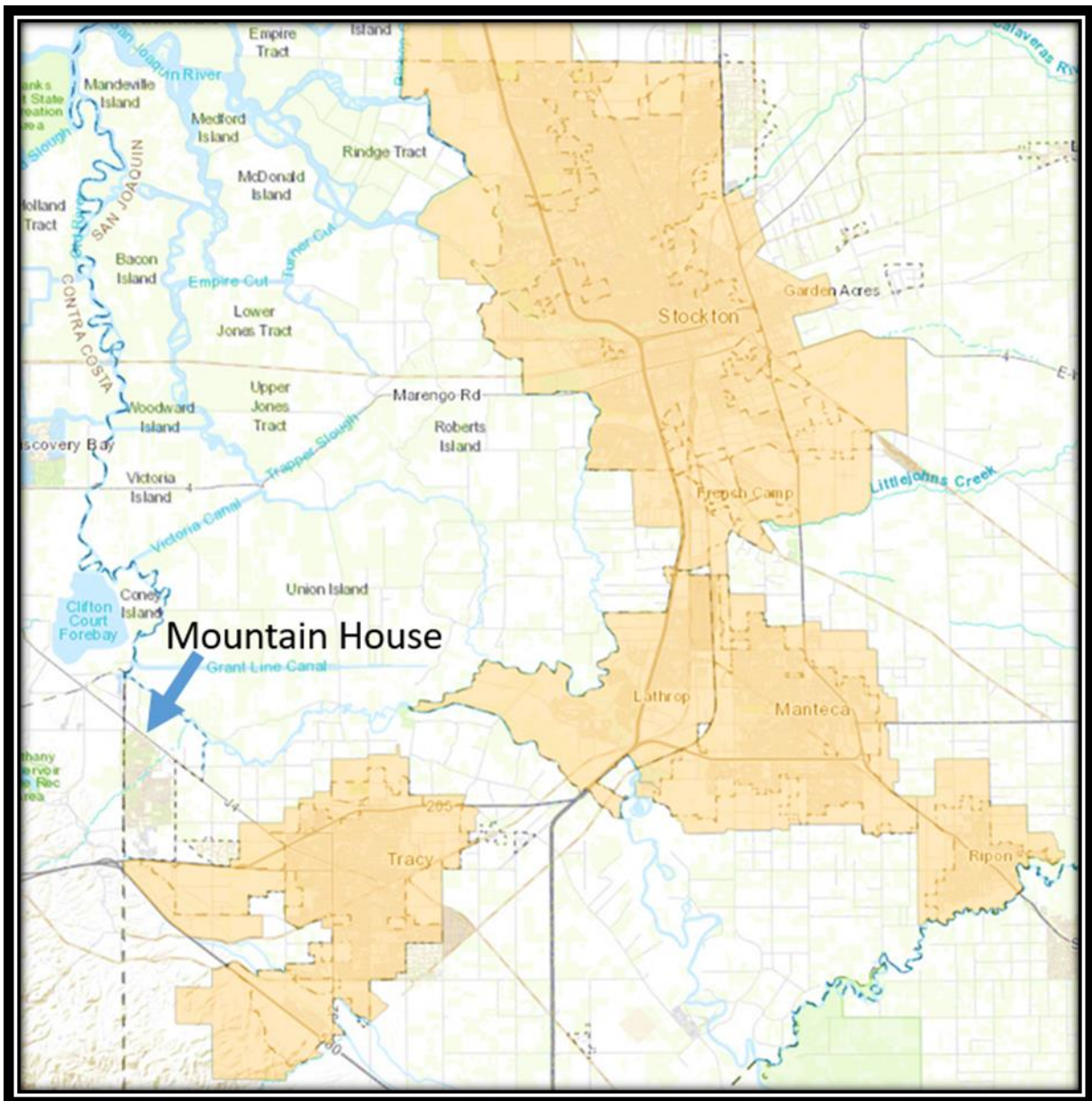
Williamson Act Contract Properties

Section 56064 further defines prime agricultural lands for CKH. The Initial Study and Negative Declaration found that, “The proposed Project does not involve site-specific development; the Project proposes the incorporation of Mountain House and the creation of a subsidiary district in order to enforce CC&Rs for both incorporation boundary scenarios [applicant and LAFCo Alternative]. The Project includes a change in organization and no modifications to the 2035 General Plan Land Use Map, land use designations, or intensities/densities identified within the 2035 General Plan Land Use Element are proposed at this time. As the Project area does not contain any agriculture or forestry resources or any lands zoned for agriculture or forestry, no impacts would occur in this regard.”

Section 56720(b): The Commission finds, based on the entire record, that it has reviewed the spheres of influence of the affected local agencies and the

reorganization, including the incorporation is consistent with those spheres of influence.

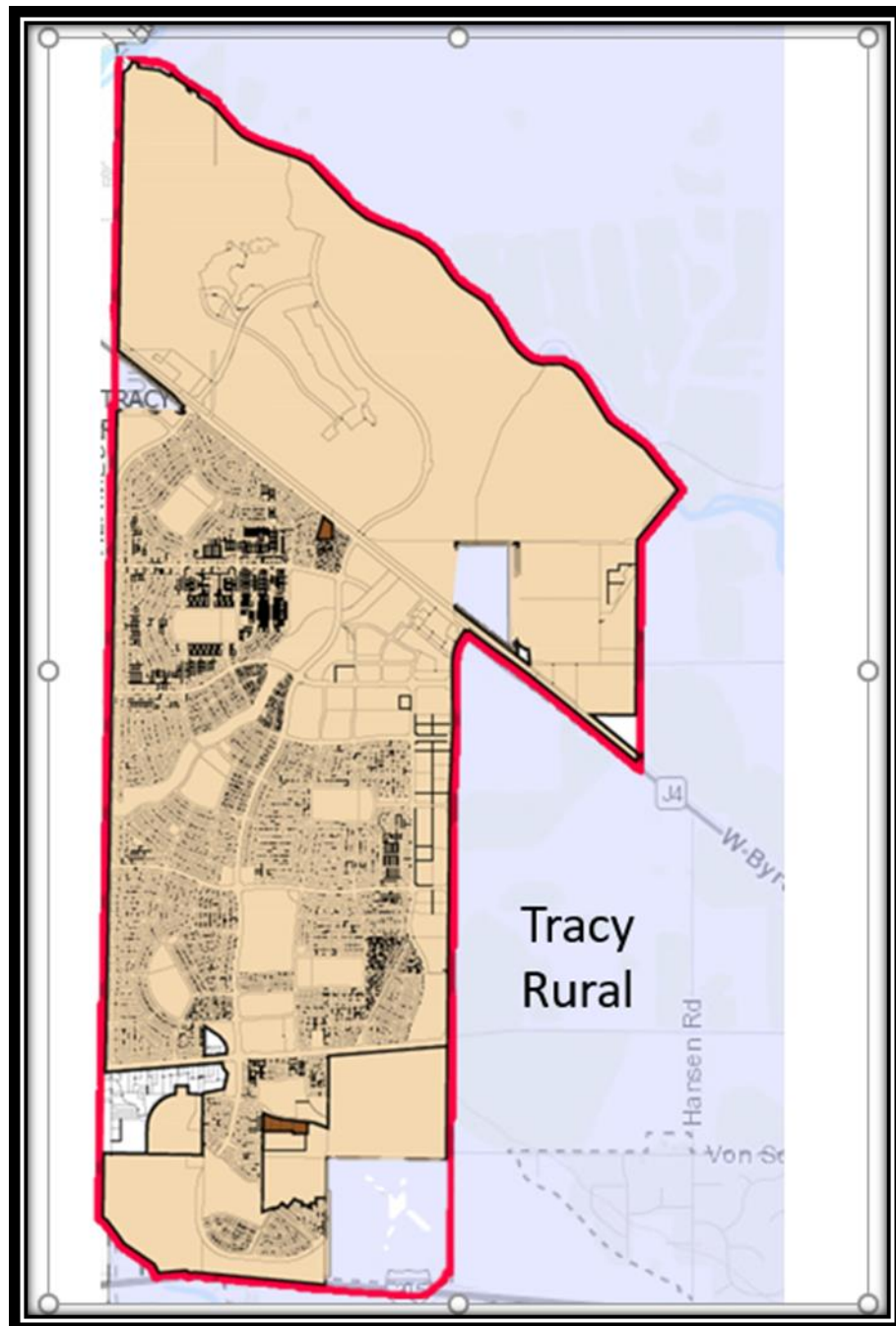
Below is a map showing the proposed City of Mountain House SOI as related to the existing SOI of other cities within San Joaquin County. The SOI for Mountain House is on the north side of the I-205 corridor from the City Tracy SOI on the south side of I-205. As shown on the map below, the use of major transportation corridors to separate city SOI's has been used as logical boundaries in San Joaquin County. The UPRR corridor is used to separate Lathrop and Manteca SOI's, the Roth Road corridor is used to separate Manteca from Stockton SOI's.



Cities within San Joaquin County SOI

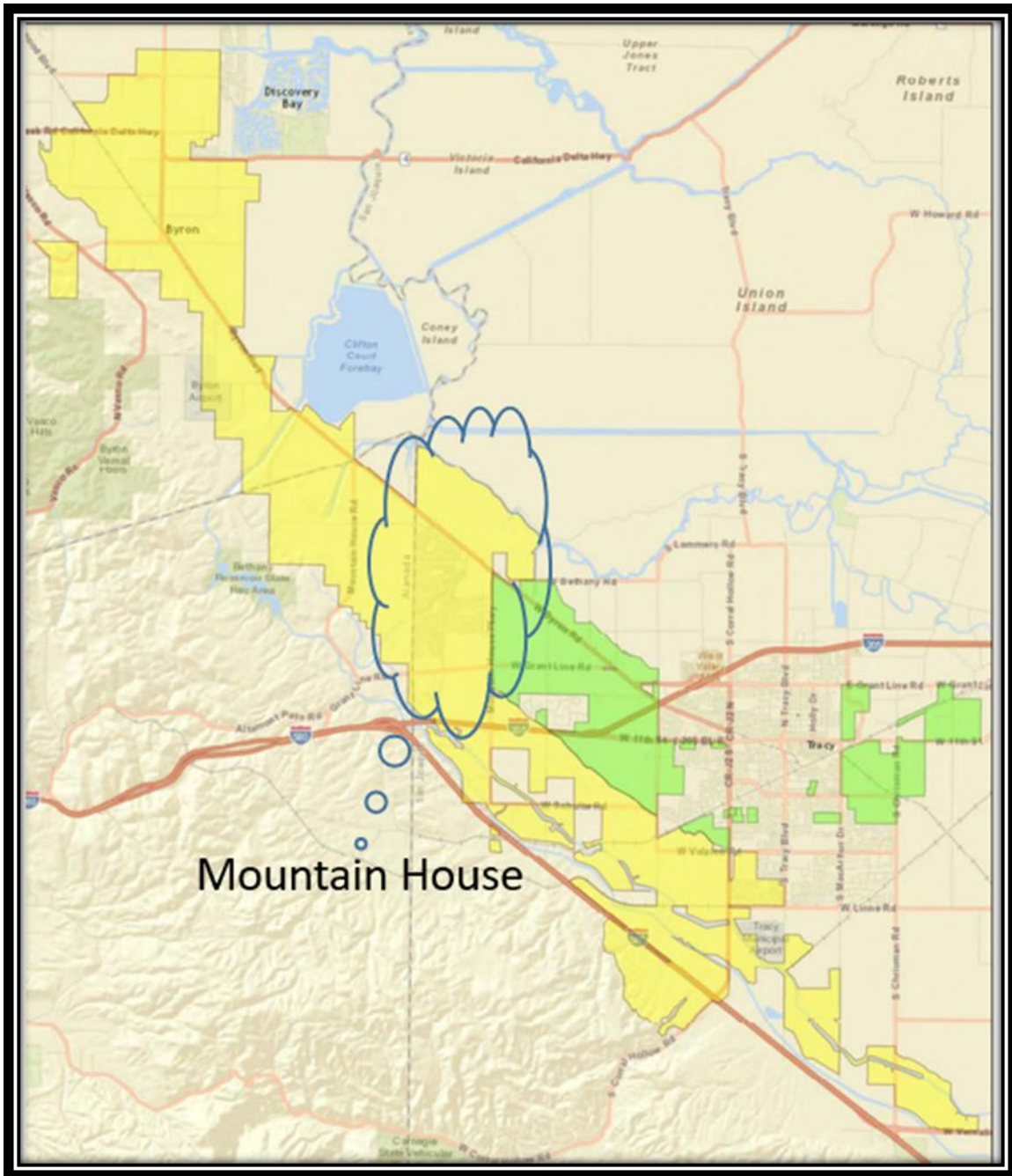
The proposed SOI for the proposed City of Mountain House is within the Tracy Rural Fire Protection District (Tracy Rural). The current practice is concurrent detachment from Tracy Rural as property owners are ready to develop and receive

necessary urban services from the MHCSO. As a result there are two pockets comprised of 5 parcels totaling 10.78 acres (0.26% of total acres) within the proposed SOI that will continue to be served by Tracy Rural until future annexation occurs.



Mountain House SOI and Tracy Rural Fire Protection District

The reorganization area is also within the Byron Bethany Irrigation District (BBID). Currently the MHCSO purchases surface water from BBID and treats the water received to meet potable water standards.



Byron Bethany Irrigation District

APPLICABLE FACTORS SECTION 56668

Section 56668 this section gives a list of factors that are, “to be considered in the review of a proposal” from “a” to “q”. Below is a discussion on these factors.

Population and Density Section 56668(a): Due to the growth and MHCS D ability to provide needed services, the proposed reorganization has considered the factors in CKH Section 56668(a). The factors that have been considered include, but not limited to:

- The population of Mountain House is 27,032 with a population density 4,172 residents per square mile within the proposed boundary of the reorganization;
- Land area of 4,152.6 acres (6.49 square miles) and diverse array of land uses, including residential, commercial, industrial, open space, schools, and public land uses;
- Assessed valuation of \$4,585,246,344;
- Topography gentle sloping land, and natural and jurisdictional boundaries of the Old River and Alameda County line;
- Proximity to other populated areas, including Stockton and the Bay Area;
- Likelihood of significant growth in the area with San Joaquin County ranking #2 in the state for new residents;
- Adjacent and nearby incorporated cities including Tracy and Lathrop;
- Nearby unincorporated community of Lammersville; and
- Projected estimated population growth projection of approximately 44,000 within next 10 years.

Currently the proposed boundary is predominantly single-family homes with a few commercial and industrial developments. The ten year growth forecast for Mountain House is between 5,755 – 7,208 new dwelling units; 250,500 – 275,000 square feet of commercial land uses; and 778,518 feet of industrial land uses. The jobs housing balance goal for Mountain House is jobs/housing goal of 0.99 at buildout and includes consideration for telecommuting and e-commerce sales.

Need for Services Section 56668(b): There is a need for organized public services in the reorganization area. The proposed reorganization has considered the factors in CKH Section 56668(b). The factors that have been considered include, but not limited to:

- The need for organized community services that the future City can provide;
- The present cost and adequacy of governmental services and controls in the area as evidenced by the existing services provided by the MHCS D and documented by the Comprehensive Fiscal Analysis (CFA) using financial data from the San Joaquin Auditor-Controller Office;
- Probable future needs for those services and controls that the future City will have its own departments including public safety, parks and recreation, planning, engineering and public works; and finance that will be annually audited;
- The CFA documents the probable effect of the proposed reorganization including incorporation and formation of the MHCS D as a subsidiary district of the City on the cost and adequacy of services and controls in the area and adjacent areas.

The reorganization including all of its components is consistent with CKH Sections 56668(a) and (b) because of the thoughtful and deliberate planning for eventual incorporation of the MHCSD that started with the Master Plan. The Mountain House Master Plan was adopted by the San Joaquin County Board of Supervisors in 1993. Shortly thereafter in 1996, the Board of Supervisors created MHCSD to fund and deliver municipal services to the community as it developed. The thoughtful planning for the formation of the MHCSD foresaw incorporation of the area for the future residents. This is evidenced by the adoption of State SB 1397 in 1994, adding 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 MHCSD territory by San Joaquin County.

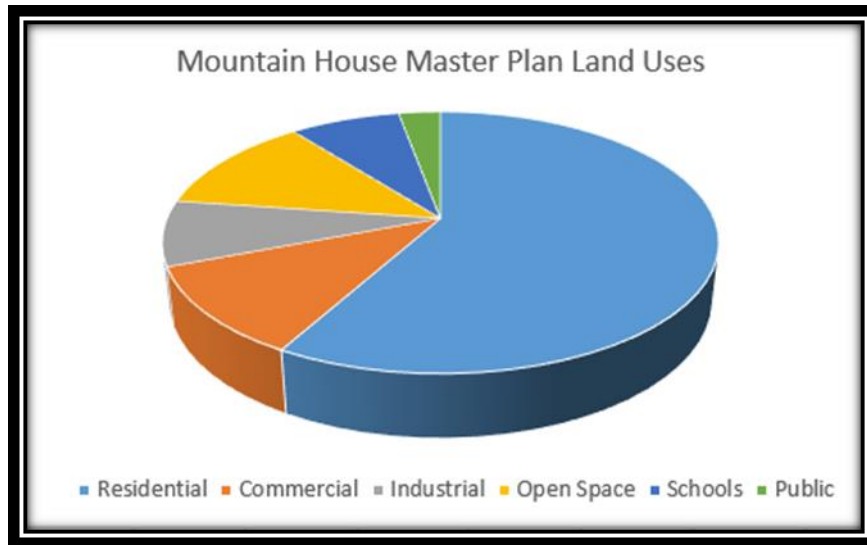
Effect of Action Section 56668(c): The MHCSD currently provides and the future City will continue to provide the needed facilities to serve the residents within the boundaries with needed urban level of services. Public facilities, including all water, wastewater, storm water, streets/signals, lighting/landscaping, parks, schools, community centers, public safety buildings, library, corporation yard, and town hall are specified in the Master Plan, along with binding development agreements to ensure proper funding and thresholds for construction of public facilities. The conditions of approval in the resolution reflects the transfer of these services to the new City.

The services provided are similar to the other seven (7) existing cities within San Joaquin County. The 2022 Municipal Service Review (MSR) for the MHCSD found that, "Mechanisms are in place within the organization to effectively provide for public participation in the planning and development process to address government structure options to provide efficient and cost effective public facilities and services. Most of the planning, operational and financial systems of the MHCSD are continually being improved as the District staff implement large infrastructure projects and establish new services for the growing community." Additionally, the MSR found that, "The MHCSD has demonstrated the ability to work with other service providers and districts to ensure that adequate, reliable services are provided in a cost effective manner. Thus the reorganization including incorporation of Mountain House is consistent with existing mutual social and economic interests of the community pursuant to CKH Section 56668(c).

Planned Development Section 56668(d): Mountain House is an established community with a predominately suburban residential (58%) characteristic. The Mountain House Master Plan includes a variety of urban land uses consisting of residential, commercial, industrial, open space, schools and public land uses. These land uses are distributed in an efficient Euclidian zoning development pattern pursuant to CKH Section 56668(d).

Land Use	Acres	% Total
Residential	2412.4	58%
Commercial	459.0	11%
Industrial	335.9	8%
Open Space	507.1	12%
Schools	317.8	8%
Public	120.5	3%
Total	4152.6	100%

Mountain House Land Use Table



Agricultural lands Section 56668(e) The reorganization maintains the physical and economic integrity of agricultural lands in that within the reorganization boundaries, no agricultural activities have taken place within the reorganization area for over 5 years, therefore the land is not considered prime agricultural land pursuant to are taking place as show in the aerial photo below.



Aerial Photograph 05/2018

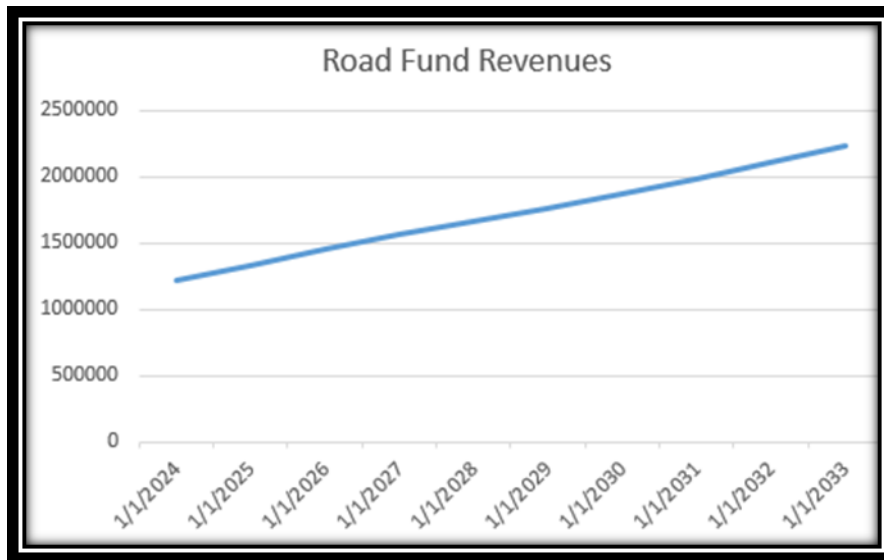
Certainty of Boundaries Section 56668(f) Both reorganization alternatives provide definiteness and certainty of the boundaries of the territory in that both conform with lines of property assessment and ownership and other similar matters affecting the proposed boundaries. The LAFCo Alternative Boundary avoids the creation of unincorporated islands pursuant to CKH Section 56744.

Regional Transportation Plan Section 56668(g) MHCSD and the proposed future City ensuring environmental justice has and will continue to provide planned, orderly, efficient patterns of urban development pursuant to CKH Section 56668(d), The planned growth that the Master and Specific Plans call for has provided Mountain House with a walkable built environment with mix of land uses served by shaded streets that connect to an open space network. The existing development pattern mandated by the Mountain House Master Plan is consistent with the San Joaquin County Sustainable Communities Strategy and Regional Transportation Plan pursuant to CKH Section 56668(g).

The incorporation of the City will allow the City of Mountain House to be a member of San Joaquin Council of Governments. This will allow residents to receive a share of Measure “K” half-cent sales tax and State Gas Tax revenues that currently are not available to them being within a district. Generally, these 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.

The new 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. The Road Fund is forecasted to have \$1,220,115 in revenues for FY 2024/2025 and grow to \$2,228,413 by FY 2033/2034. Expenditures are forecasted to match revenues.



Road Fund Revenues and Expenditures

Consistency with General Plan Section 56668(h) The reorganization, including incorporation of the MHCSD is consistent with the San Joaquin County General Plan, Mountain House Master Plan, Specific Plans I, II & II, as well as the Final Mountain House Environmental Impact Report.

Local Agency Sphere of Influences Section 56668(i) As discussed above, the reorganization and proposed SOI for the future City of Mountain House is consistent with the spheres of influence of the local agencies that provide service within the reorganization boundaries.

Ability to Provide Services Section 56668(k) The proposed City of Mountain House will have the ability to provide the services that are the subject of the reorganized area, including the sufficiency of revenues for those services following the proposed incorporation. As reflected in the resolution, the four (4) special taxes that are unique to Mountain House will continue to be collected to provide residents with a high level of service for:

- 1) Transportation and Community Services Operational and Administrative Functions
- 2) Public Safety Services

- 3) Parks, Recreation, and Community Facilities and Services
- 4) Public Works

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 MHCS D Board of Directors increases the respective Special Tax rate, which it may do annually by no more than 4 percent each year. The four ordinances for the Special Taxes do not contain a sunset date.

The Comprehensive Fiscal Analysis (CFA) for the incorporation assumed the continued collection of these special taxes by the proposed City of Mountain House. During FY 2021/2022 collectively the special taxes generated \$14,099,952 and by FY2025/2026 the special taxes are projected to generate \$18,073,610. Approximately \$15.4 million (85%) will be needed to cover operational costs projected in the CFA without causing the General Fund to be in deficit.

The special taxes comprise a major revenue stream that make the incorporation of Mountain House feasible. The CFA for the incorporation has been available for public review since July 3, 2023. A Commission study session was held on the CFA on July 13, 2023. The final public review CFA concludes the incorporation is feasible, based on annual revenues that minimally exceed expenditures.

Availability of Water Section 5668(I) The reorganization will continue to allow the timely availability of water supplies adequate for projected needs in that the reorganization will not result in a change the water treatment or distribution system. Pursuant to a 09/31/1993 agreement with BBID, the MHCS D will be delivered 9,413 acre feet of water as measured from the BBID diversion pumps and intake facilities at the California Aqueduct during normal years. Additionally, the State Water Resources Board approved of diversions of BBID water rights to Mountain House during periods of curtailment on 12/22/2022.

MHCS D residents receive the BBID diverted water at a water treatment plant located at 18045 Kelso Road on the northwest corner of Great Valley Parkway and Byron Highway. MHCS D current purchases surface water from the Byron Bethany Irrigation District. The BBID diversion to Mountain House is located approximately three miles northwest of the MHCS D WTP. The WTP began operations in 2002 and is currently operated under a third-party contract. While the WTP has a current capacity of 15 million gallons per day (MGD), it will ultimately be expanded to a capacity of approximately 20 MGD. At the WTP site, raw water from BBID is stored in a 4-million gallon (MG) raw water storage tank before entering the compact water treatment facility containing an absorption clarifier, filter, and filter well. The treated water is then pumped through an ultraviolet disinfection system, chlorinated, and stored in a 4.5 MG treated water storage tank.

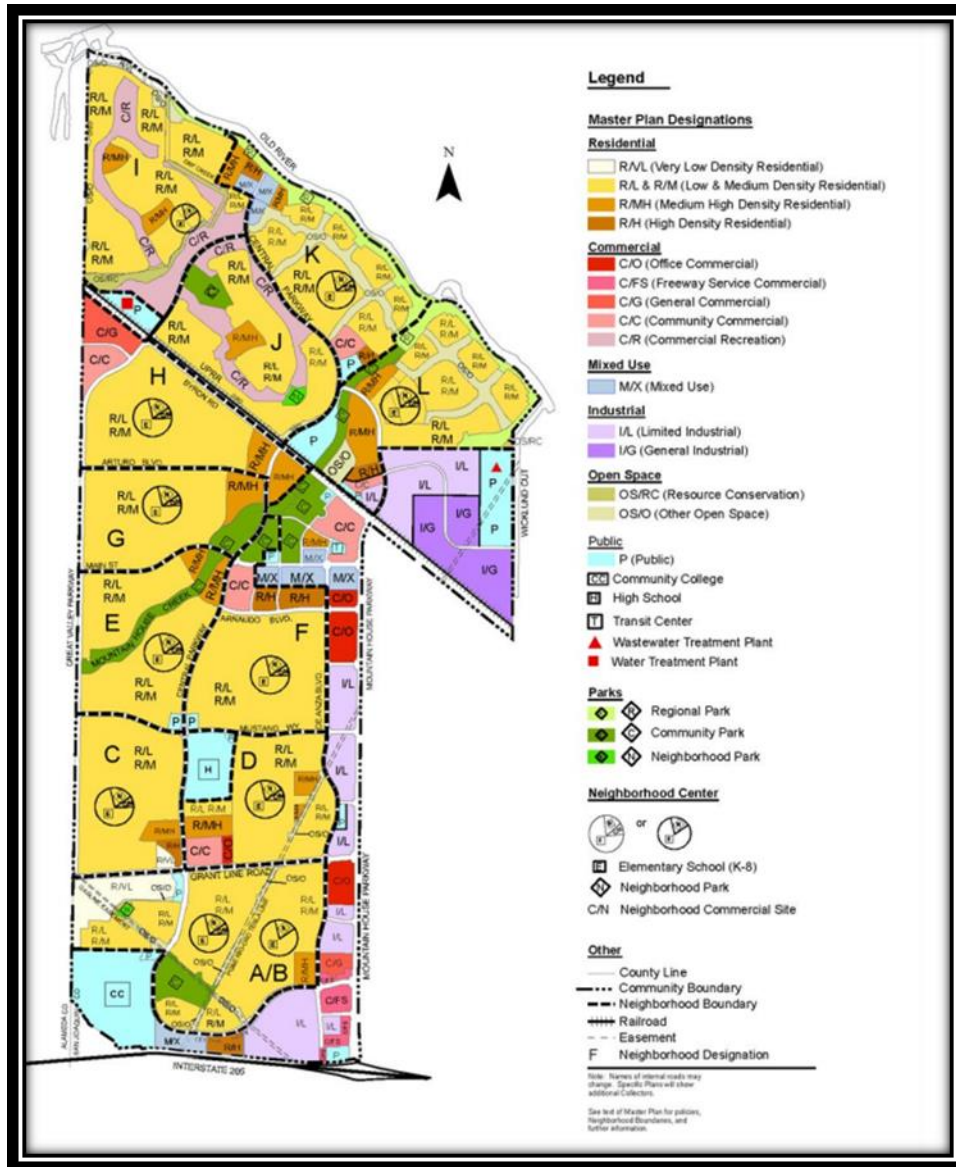
Regional Housing Needs Section 56668(m) The County of San Joaquin currently operates an affordable housing fund that has been collected and must be spent

within the reorganization area. Upon incorporation this fund and all related statutory affordable housing requirements will become the responsibility of the City of Mountain House. The City will adopt the corresponding code governing the fund from the County. 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.

Information and Comments from Residents Section 56668(n) The reorganization review and evaluation process involved seeking out information or comments from the landowner or landowners, voters, or residents of MHCSO. The Commission conducted a Study Session on the Draft CFA on July 13, 2023. Additionally, on August 23, 2023, LAFCo held a workshop at the Mountain House Community Center. Jim Simon with RSG and staff from LAFCo and Mountain House gave a presentation on the reorganization background, Comprehensive Fiscal Analysis (CFA) and the next steps in the reorganization process. Participation in the workshop was both live and via zoom. Residents asked an array of questions (please see attachment for a full list), including but not limited to the following broad categories:

- What happens to the CSD if it becomes a City? *Response: The CSD remains for CC&R enforcement only.*
- Will the special taxes remain upon incorporation? *Response: Yes, the special taxes will remain with the City.*
- How will City Council be elected? *Response: Via city-wide elections; five (5) member city council with a directly elected mayor and four (4) city council members elected at large throughout the Reorganization area .*
- Will the City have its own Police Department? *Response: Police services will be provided by the City. Currently the City contracts with existing law enforcement agencies, currently San Joaquin Sheriff's Office. Periodically the City may decide to seek new service providers or the City may decide to form its own department.*
- Will the City have a healthy fiscal outlook? *Response: Yes, the CFA shows that the proposed City will have a positive fiscal position the first year.*
- Can the City provide out of boundary service to unincorporated parcels? *Response: Yes, upon approval by LAFCo and compliance to all City standards, specifications and application filing fees.*

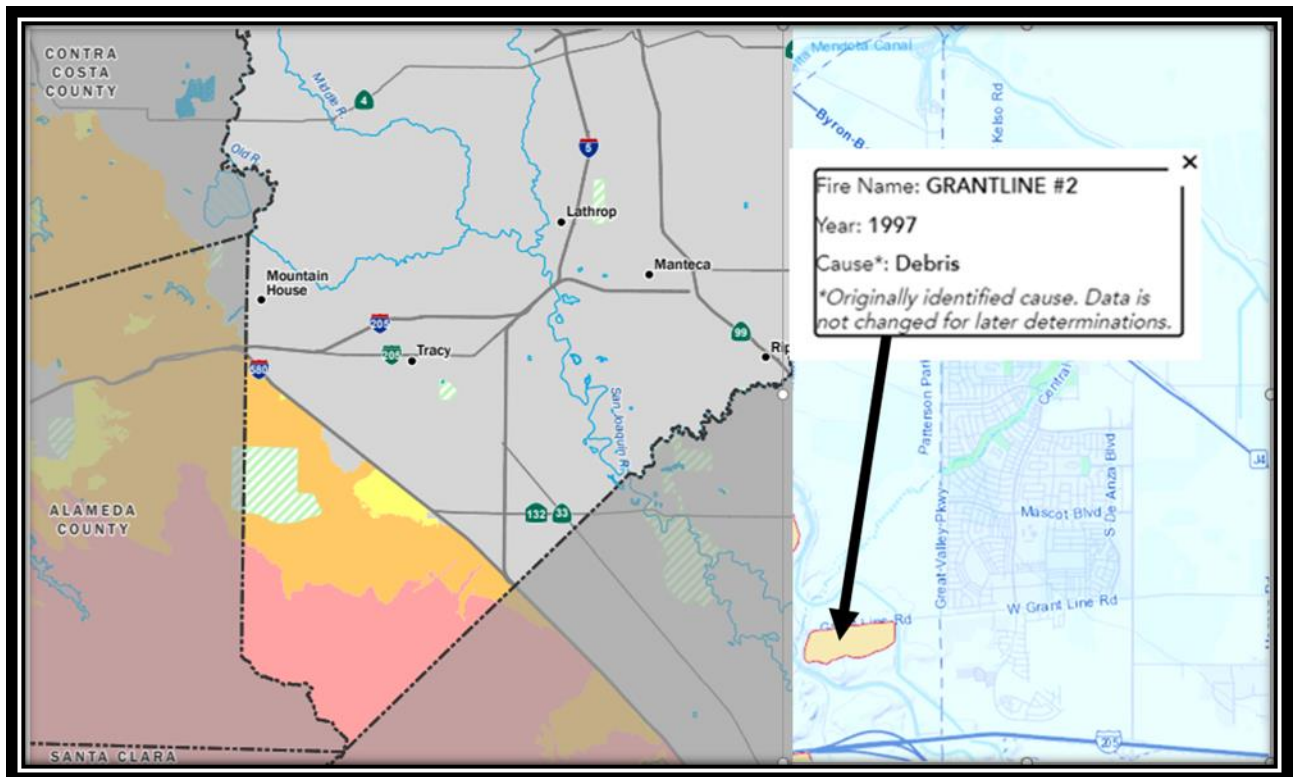
Land Use Designations Section 56668(o) The reorganization is consistent with the Mountain House Master Plan and Mountain House Specific Plans I, II, and III. Those documents provide detailed information relating to existing land use designations within the reorganization boundaries. The Mountain House Master Plan land use diagram is shown below.



Mountain House Master Plan Land Use Diagram

Environmental Justice Section 56668(p) MHCSD has been and the future City of Mountain House represent an evolution of institutional arrangement that further advances environmental justice. Access to transportation improvement revenues, including transit from a half-cent sales tax that Mountain House residents currently pay, local control over the affordable housing fund advance the concept of environmental justice. Likewise, having direct election of 4 Council members and a mayor will facilitate the exchange of ideas and give more local control to residents. The new revenues available to the City, including CDGB funding, will empower residents to demand “the fair treatment and meaningful involvement of people of all races, cultures, incomes, and national origins, with respect to the location of public facilities and the provision of public services, to ensure a healthy environment for all people such that the effects of pollution are not disproportionately borne by any particular populations or communities.”

Fire Hazard Section 56668(q) The reorganization has taken into account information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and Mountain House is not within an area identified land as a very high fire hazard zone pursuant to Section 51178. Below is a map showing the San Joaquin County State Responsibility Area and Fire Area Severity Zone showing that Mountain House is not within a State Responsibility Area and within a Local Responsibility Zone. The reorganization area is served by the MHCSO via contract with French Camp McKinley Fire District. The nearest wild fire to Mountain House was in 1997 within an area in Alameda County separated from Mountain House by the Delta Mendota Canal.



GENERAL INFORMATION:

APPLICANT: The proposal has been initiated by resolution of application by the Mountain House Community Services District on January 13, 2021 as amended by a revised resolution on May 11, 2022.

LOCATION: The proposed Project area is located along the Alameda County-San Joaquin County border, near the foothills of the Diablo range and north of Interstate 205 (I-205) in the southwestern portion of San Joaquin County, California. The City of Tracy located to the southeast, across I-205, and the City of Livermore is located approximately eight miles to the southwest.

AREA AND DENSITY: The area of the proposed city is approximately 4,152.6 acres or 6.48 square miles. With a population of 27,032 the existing population density of the Mountain House Community is 4,172 persons per square mile compared to the overall San Joaquin County population density of 580 persons per square mile. Pursuant to CKH Section 56668(a) the MHCS D has the population and population density needed to support urban services. Primarily due to its location with direct access to the commute shed of I-205, the proposed City of Mountain House has the likelihood of significant growth, both within the existing boundaries of the reorganization and proposed SOI, during the next 10 years. The population density is expected to increase as well with the population density expected to be well above the San Joaquin County average.

In 2022 approximately 2,000 acres, or about 48% of the Mountain House Master Plan acreage was developed. The CFA projects the development of approximately 5,800 residential units within 10 years. The CFA also includes approximately 250,500 square feet of storefront space and 778,000 square feet of warehouse and other industrial space. Thus pursuant to CKH Section 56886(b)(1) there is the need for organized community services and efficiencies that the future City of Mountain House will be better suited to provide than the current MHCS D. These efficiencies include additional sources of funding to provide governmental services and local control for the residents of the future City. The CFA empirically demonstrates that future needs for those services and controls and the benefits of the proposed reorganization boundaries.

CEQA DETERMINATION: The Commission is the lead agency for the proposed reorganization, including the incorporation of the City of Mountain House. DeNovo Planning Group was retained by LAFCo to conduct an initial study of the incorporation pursuant to CEQA. The resulting analysis indicates the proposed incorporation has no significant environmental impacts. In the alternative, the proposed Reorganization meets the “general rule” exemption in that it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment (CEQA Guidelines Section 15061 (b)(3)) and is exempt from further CEQA analysis. Therefore, it is recommended that the Commission adopt a Negative Declaration for the incorporation by adoption of the Resolution Making Determinations, please see attached.

PROPERTY TAX EXCHANGE: The Commission is required to determine the amount of property taxes transferred to a new city. Incorporation of a new city does not increase property taxes to affected property owners. New cities receive a share of existing property taxes from other agencies in correlation to services that are to be transferred to the new city.

When only a portion of the services provided by an agency are being transferred to a new city, the transfer is determined pursuant to a formula defined in Government Code Section 56810. This formula is applicable to general fund supported services transferred from the County to the new city. The transfer is the product of two numbers, a) the net cost of services to be transferred and b) the proportion of

County General Fund property taxes relative to all general purpose revenue, also known as the “Auditor’s Ratio”. The resulting product, as determined by the Commission, establishes the Base Year property tax transfer. The net cost of transferred services for the LAFCo Alternative Boundary is \$2,743,175, which is multiplied by the Auditor’s Ratio of 55.9% (.5592699667), to yield a Base Year general fund property tax transfer of \$1,533,435. These calculations are outlined in the attached CFA (pg. 42).

The Base Year transfer is then adjusted for subsequent changes in assessed value each year.

EXISTING CONDITIONS:

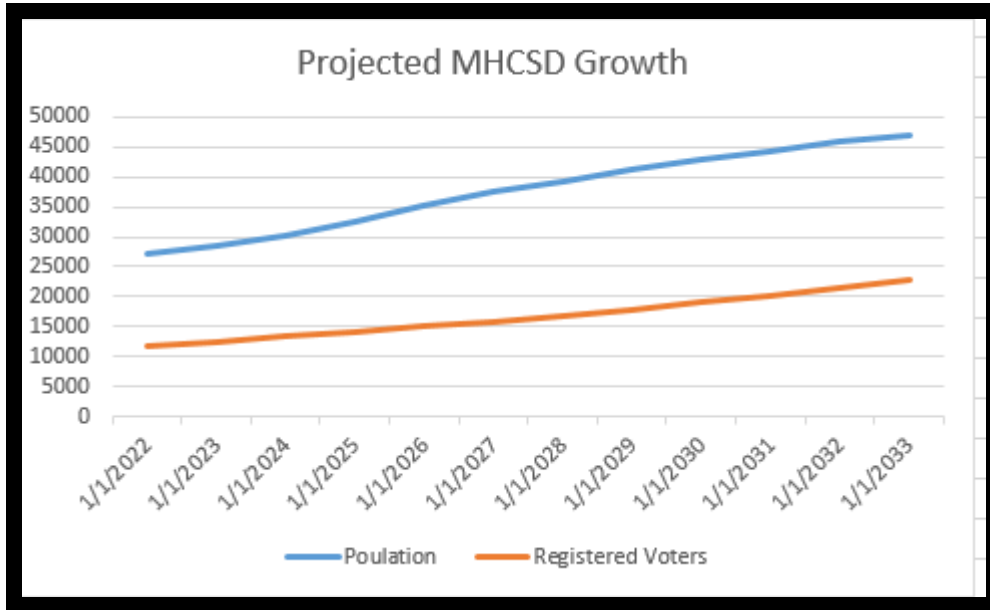
The existing landform consists of gently northeast-sloping terrain. Topographic features are limited to areas along Mountain House Creek, and the levee bordering Old River. The Union Pacific Railroad Mococo Subdivision crosses the northern portion of the site and two minor creeks traverse the site, the larger of the two being Mountain House Creek. Major highway access is available from Interstate 580 (I-580) and I-205. Local road access is available via Grant Line Road, Mountain House Parkway, and Byron Road, all of which connect to I-205 and other points.

Pursuant to CKH Section 56377, Mountain House is within an area of predominately Important Farmland in San Joaquin County. The existing MHCSD and proposed City of Mountain House and its proposed Sphere of Influence and environs are within the Byron Bethany Irrigation District (BBID).

Demographic Conditions:

Mountain House provides a highly market receptive development pattern that is reflected in the growth rate of the community. The 2010 census counted 9,675 people residing in Mountain House. The 2020 census counted 24,299 people in the community an increase of 14,824 in ten years, an average rate of 15.32%. Utilizing Census and ESRI data between 2010 and 2022, the CFA further refined an average historical annual population growth rate of 14.95% percent, a 280 percent increase from the 2010 population of 9,675 to the 2021-22 estimate of 27,032.

When the original resolution to initiate incorporation proceedings was approved by the MHCSD board, January 13, 2020, there were 9,006 registered voters within Mountain House. When the revised resolution was approved on May 11, 2022 there were at least 9,185 registered voters within MHCSD. For the November 3, 2022 election there were 9,666 registered voters. Currently there are 10,095 registered voters with Mountain House addresses, making the Mountain House area inhabited pursuant to CKH Section 56046.



The median household income of Mountain House in 2021 was \$154,357, above the State median income of \$109,200 and the San Joaquin County median of \$100,300. The per capita income of Mountain House is \$43,309 compared to \$30,628 for San Joaquin County. Mountain House is not considered a disadvantaged unincorporated community pursuant to CKH Section 56033.5, nor are there any communities within or contiguous to the proposed City SOI that meet the definition of a disadvantaged unincorporated community.

Number of Persons in Household:		1	2	3	4	5	6	7	8
San Joaquin County Area Median Income: \$100,300	Acutely Low	10550	12050	13550	15050	16250	17450	18650	19850
	Extremely Low	18450	21050	24860	30000	35140	40280	45420	50560
	Very Low Income	30700	35100	39500	43850	47400	50900	54400	57900
	Low Income	49100	56100	63100	70100	75750	81350	86950	92550
	Median Income	70200	80250	90250	100300	108300	116350	124350	132400
	Moderate Income	84250	96300	108300	120350	130000	139600	149250	158850

Potable Water Conditions:

BBID currently provides water to MHCS D that is treated at the water treatment plant at 18045 South Kelso Road that the ownership and operation of will be transferred to the proposed City of Mountain House.

Based on data presented in the 2020 Potable Water System Master Plan Update (2020 PWSMP), the buildout land use includes approximately 2,486 acres of residential, 502 acres of commercial, 382 acres of industrial, 525 acres of open space, and 423 acres of public/school land use. The total water demand in 2020 was 4,672 Acre Feet (AF), including system losses, is projected to grow to 9,595 AF by buildout expected in 2040.

Water demand is expected to remain constant between 2040 and 2045 because buildout is anticipated around 2040. The City of Mountain House is expected to continue to purchase water from BBID. In the future, the City will be able to use the riparian water rights on properties north of Byron Road as they are developed. MHCS D is in the process of finalizing the transfer and ability to use these riparian rights. These rights allow for the beneficial use of Old River water within those properties, and the projected increase in water supply is approximately 2,570 AF.

For the MHCS D to use Old River water, certain properties near the river must be developed. After development, Old River water must be used within those properties. Table VI-5 compares projected buildout demand to future supplies. As shown in the table, MHCS D will have a surplus of 2,788 AF/yr.⁶⁷ Therefore, MHCS D will be able to meet projected buildout demands with available water from BBID and riparian rights. The District is pursuing additional sources and conservation measures to further bolster water supplies.

Wastewater Conditions:

The wastewater collection and treatment system are managed by the MHCS D's Public Works Department. Operations and maintenance services (O&M) are contracted to a private entity, currently Inframark (formerly known as Severn Trent), for the wastewater collection and treatment system to meet MHCS D contract specifications, State and Federal laws, and permits conditions.

The wastewater O&M contract was originally approved by the MHCS D Board of Directors in May 2008, but has since been renewed, including an extension in 2020 through 2024.

The wastewater treatment plant (WWTP) and additional lift stations and collection lines will be constructed by developers as needed to connect the trunk sewer lines as new development comes online.

Approximately 80% of the service area drains by gravity through a backbone collection system to the treatment plant. The remaining 20% is and will be pumped as development occurs to the treatment plant through lift stations and force mains.

The area south of Byron Road is a gravity system to the treatment plant, currently consisting of approximately 67 miles of collection lines. The wastewater treatment and disposal system were designed and built to serve build out of the community with phasing for expansion of equipment within the treatment plant to be added as necessary to meet development needs.

The WWTP will be sized at total buildout to provide 5.4 million gallons per day (mgd) Average Dry Weather Flow (ADWF) of treatment capacity, sufficient to treat all of the wastewater generated within the Master Plan and SOI boundaries and contained within the existing permit conditions. Compliance with the Master Plan by the new City will ensure that there is adequate capacity at the WWTP. Treated effluent is discharged to the Old River pursuant to Wastewater Discharge

Requirements in the Order No. R5-2017-0119, NPDES Permit No. CA0084271 and Time Schedule Order No. R5-2017-0120. These orders and the permit expire on January 31, 2023. The permit and orders will transfer to the City upon incorporation.

Fire Protection Conditions:

Fire and Emergency Medical Services are managed through a combination of service providers. The Fire and Emergency Medical Services (Fire and EMS) is managed through a contract with the French Camp McKinley Fire District (FCMFD), also referred to as the Mountain House Fire Department (MHFD), since September 13, 2015. Prior to this date the contracted fire services were managed through Tracy Rural Fire Protection District (TRFPD - by contract with the City of Tracy through the South County Fire Authority).

Calls are dispatched through the Valley Regional Emergency Communications Center (VRECC), as part of a Joint Powers Agreement with the San Joaquin County Joint Radio Users Group (JRUG) in which the FCMFD participates as a voting member. As of April, 2022, the average response time (turn out time after receiving the assignment plus travel time) to all calls is 6 minutes and 32 seconds. The response time for ninety percent of all calls is 9 minutes and 39 seconds or less; for ninety percent of fire emergencies the response time is 9 minutes and 31 seconds or less.

The Department has one (1) existing station at 911 Tradition Street, in Mountain House, A second new fire station Mountain House Fire Station No.2 is to be located north of Byron Road, currently within the Mountain House SOI, to help respond to calls from development north of Byron Highway. With the new station added, MHFD will have a total of three companies (2 engine/1 truck/ 1 duty office) and nine total personnel when buildout is complete. The addition of a new station, more personnel and new engines will improve response times and services.

The CFA assumes that the contract with FCMFD, will be continued. The resolution reflects that the contact between the MHCSO and FCMFD will be assigned to the new City of Mountain House.

Law Enforcement Conditions:

Law enforcement is contracted through the San Joaquin County Sheriff's Office (SJCOSO). The SJCOSO command staff and deputies operate out of two facilities: (1) a satellite office located at the MHCSO Town Hall, 251 E. Main Street, Mountain House, California; and (2) the SJCOSO headquarters located at 7000 Michael Canlis Blvd, French Camp, California. As the community grows, a separate law enforcement headquarters building is planned to be constructed adjacent to Town Center Community park near Byron Road. No date for construction has been established; its timing is dependent on the needs of law enforcement and the community.

SJCOSO presently assigns six patrol officers and a sergeant full time to Mountain House funded by MHCSO; this number increased with the addition of another full time deputy in 2022. Additional law enforcement service is provided by the deputies assigned to Beat 8, a "beat area" that includes Mountain House and the adjacent unincorporated county area. Investigative and all other law enforcement support services are provided through the SJCOSO. Beat 8, investigative services, and other support services are funded by the County of San Joaquin.

The California Highway Patrol (CHP) is responsible for all traffic related matters that occur within the unincorporated areas of the state, including Mountain House. Specific to Mountain House, the CHP is responsible to enforce traffic laws, as outlined in the California Vehicle Code, investigate traffic accidents, investigate vehicle thefts that occur from a roadway and respond to parking and other traffic complaints. As a law enforcement agency, the CHP also assists other local and state agencies when requested for general law enforcement and traffic control. MHCSO contracts with the CHP for services to supplement those provided by the SJCOSO.

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 all law enforcement service contracts between MHCSO and law enforcement agencies will be assigned to the new City of Mountain House.

LAND USE PLANS: The County's General Plan calls for continued development in accordance with the Master Plan and 3 Specific Plans. Among the first actions required of a new city council is to adopt all required ordinances, including those establishing zoning. State law allows newly incorporated cities 3 years to adopt comprehensive general plans. Therefore, incorporation itself has no direct impact on land uses.

SIGNIFICANT ISSUES:

REQUIREMENT FOR FISCAL VIABILITY: The determination of fiscal feasibility is typically the central issue in the evaluation of an incorporation proposal. The following sections analyze different aspects of the fiscal issue.

Statutory Requirements: State law prohibits the Commission from approving an incorporation unless it finds that the new city will have sufficient revenues to provide public services and facilities and a reasonable reserve during the first three fiscal years following incorporation. Section 56800 requires the Executive Officer to prepare, or cause to be prepared, a Comprehensive Fiscal Analysis (CFA) of incorporation. Statutorily, the CFA is part of the executive officer's report to the Commission. The CFA and staff analysis are the bases for the Commission's determination of feasibility.

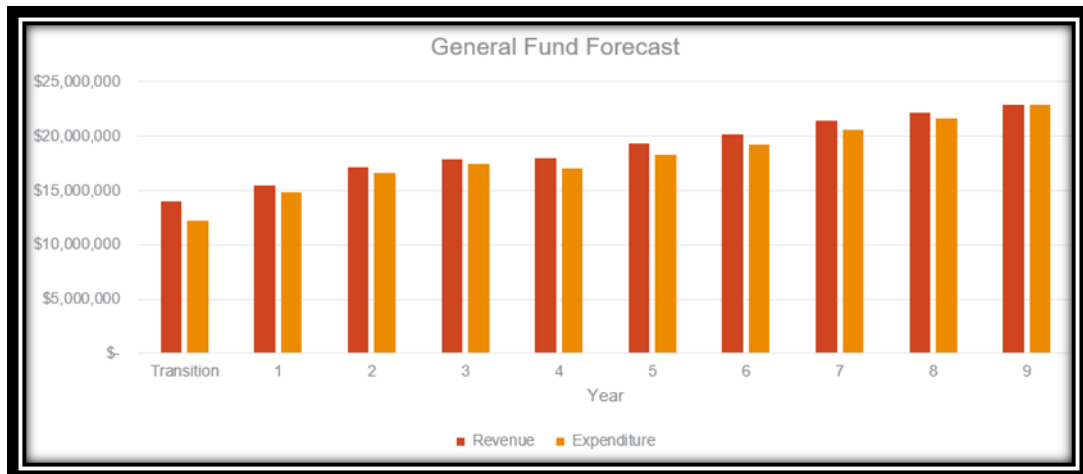
Policy and Approach: There were two studies that were used to determine the financial feasibility of the reorganization proposal. The first study was an Incorporation Feasibility Study (IFS) that the MHCSD used as a basis for adopting the resolution to initiate incorporation proceedings. This first study was prepared by Berkson Associates that concluded that:

“The new City’s budget forecast shows adequate positive cash flows and reserves to fund service levels at least equal to or greater than MHCSD levels...the community will qualify for additional revenues and grants specific to cities, for example, gas taxes, Measure “K” and other road related revenues, and CDGB grants. The additional annual City revenues exceed the additional annual expenditures resulting from City formation.”

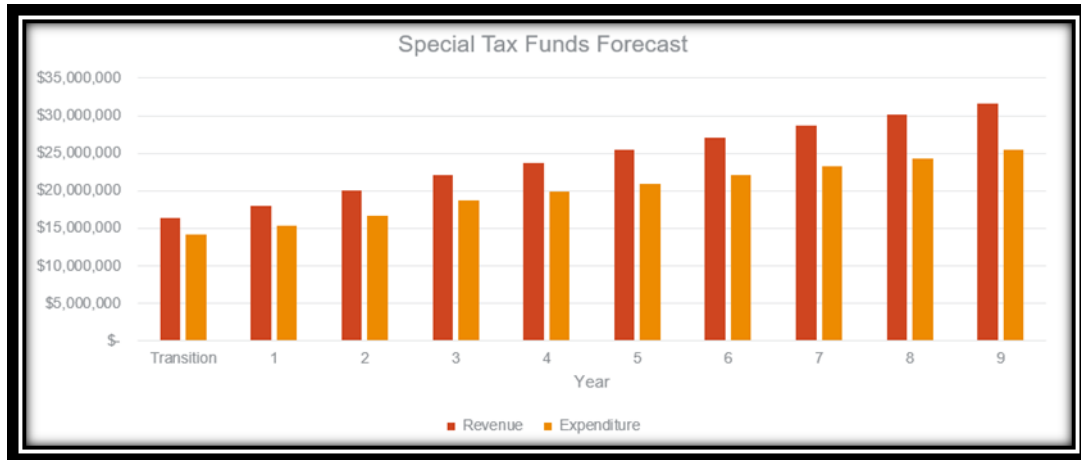
The second study, the required Comprehensive Fiscal Analysis (CFA) was conducted by LAFCo upon receipt of the MHCSD resolution to initiate proceedings. LAFCo retained a consultant, RSG, to prepare the CFA with funds deposited by MHCSD.

The major findings of the CFA revealed the following:

- Projected General Fund Revenue Surplus (before Potential Revenue Neutrality Payments): Based on the assumptions and analysis described in the CFA, 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.**
 - The General Fund is forecasted to start with \$14,054,547 in revenues with \$12,190,050 in expenditures in FY 24/25. By FY 33/34 revenues increase to \$23,063,509 with expenditures likewise increasing to \$22,880,013.
 - As shown below, it is the same scenario with the Special Tax fund collectively generating \$16,350,795 with \$14,243,324 in expenditures during FY 24/25. In FY these funds are forecasted to generate \$31,640,453 in revenues with \$25,456,138 in expenditures.



Mountain House General Fund Revenues and Expenditures



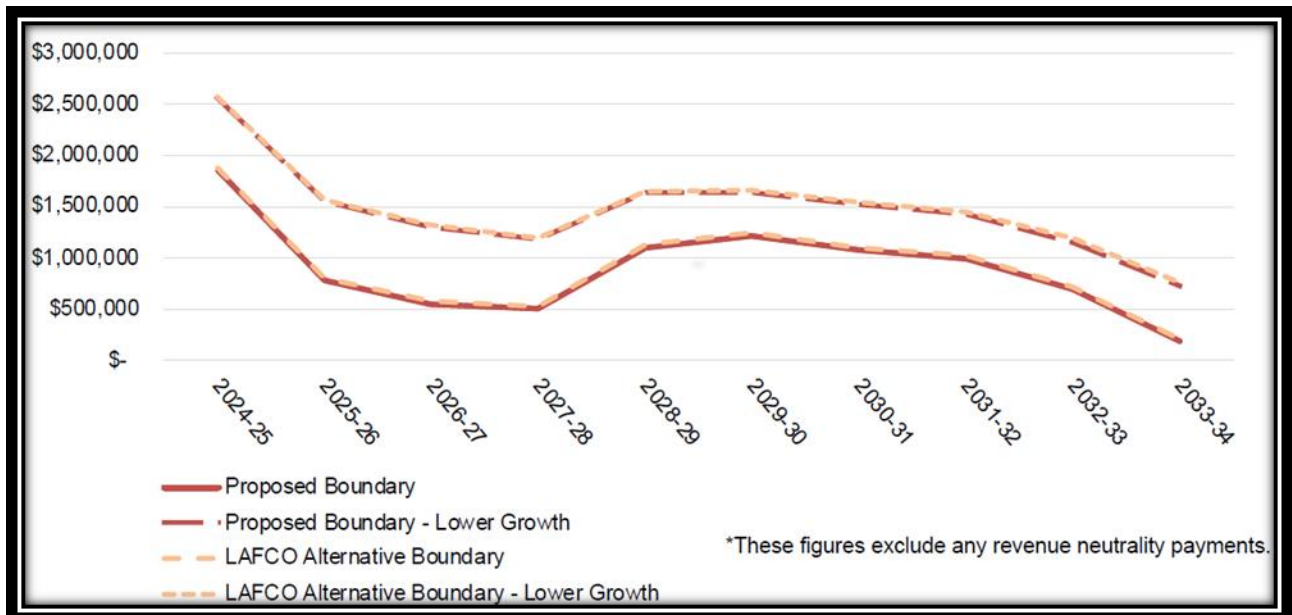
Mountain House Special Taxes Revenues and Expenditures

- Retention of CC&R Enforcement in the MHCSD as a Subsidiary District of the City: The application for incorporation proposes to divest MHCSD of all of its statutorily authorized powers except the power to enforce Covenants, Conditions & Restrictions (“CC&Rs”) within its boundaries and establishing MHCSD as a subsidiary district of the City. A small transfer of property taxes will fund the Subsidiary District to cover its costs of operations.
- Tracy Rural Fire Protection District (“Tracy Rural”) may experience a minor net revenue loss. These amounts are so small that the Commission can find that the costs and revenues transferred are substantially equal. Furthermore, as detailed in the Resolution of Approval, Tracy Rural has benefitted from substantial capital improvement assistance from MHCSD that offset any claim regarding revenue neutrality.
- **Incorporation Projected to be Feasible Under Different Boundary and Growth Alternatives:** The CFA determined that the three alternatives to the proponents’ incorporation scenario are also feasible as projected General Fund revenues are forecasted to exceed expenditures. The alternatives are as follows; more detailed findings can be found in the CFA conclusions.
 - Alternative 1: Proposed Boundary (Lower Growth)
 - Alternative 2: LAFCO Alternative Boundary
 - Alternative 3: LAFCO Alternative Boundary (Lower Growth)

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	\$ 14,054,547	\$ 12,190,050	\$ 1,864,497	\$ 2,562,175	\$ 1,882,129	\$ 2,574,736
1 2025-26	15,593,351	14,812,379	780,972	1,548,177	802,740	1,561,419
2 2026-27	17,209,383	16,657,998	551,385	1,302,137	575,717	1,316,607
3 2027-28	17,957,153	17,452,668	504,486	1,180,371	527,435	1,195,341
4 2028-29	18,137,953	17,036,263	1,101,690	1,636,386	1,128,870	1,652,216
5 2029-30	19,484,303	18,269,002	1,215,302	1,639,706	1,242,691	1,660,821
6 2030-31	20,331,503	19,257,629	1,073,874	1,519,411	1,101,095	1,542,390
7 2031-32	21,588,803	20,593,096	995,707	1,423,012	1,022,519	1,449,973
8 2032-33	22,315,274	21,623,627	691,647	1,153,541	720,371	1,191,279
9 2033-34	23,063,509	22,880,103	183,406	728,785	212,096	759,127

Annual General Fund Projections, All Scenarios

Thus, throughout the process, both the initial Incorporation Feasibility Analysis and the CFA came to the same conclusion that the proposed reorganization including incorporation of the MHCSD and detachments are fiscally viable with no further payments from San Joaquin County. In large part this is because both the County Board of Supervisors and the MHCSD implemented the goals and policies of the Mountain House Master Plan. The objective, ***“To ensure fiscal protection of the County and future community residents by creating an independent and self-sustaining community”*** has been achieved.



Annual General Fund Projections, All Scenarios

TAXES AND ASSESSMENTS: The reorganization does not require any additional general taxes, special taxes or assessments to make the City feasible. Continuation of the existing taxes, assessments, fees and charges, including those associated with the four (4) special taxes and landscape and lighting maintenance districts are a condition of approval and reflected in the resolution. Any assessment districts under the control of any of the independent special districts within the incorporated

boundaries would remain unchanged and under the control of those agencies (Delta College, Mosquito Abatement and Vector Control, etc.).

COUNTY SHERIFF BASE LEVEL SERVICE COSTS: The base level cost represents the service that the Sheriff's Office provides to all areas of San Joaquin County. The service provided to MHCS D has always been comprised to two components, base level and enhanced law enforcement. A June 15, 2004 report from the Mountain House General Manager, stated that:

"The agreement required the MHCS D and the Sheriff's Office to start negotiations for enhanced police protection services not later than the issuance of the first residential building permit within the boundaries of the MHCS D. Also the Public Services Allocation Agreement entered into between the parties on May 28, 1996, provides that the parties shall contract to provide police protection services consistent with the level provided on a countywide level."

The methodology used in the CFA has determined the Sheriff Department Base Level Costs is \$2,241,528. The base level cost provided by the County has fluctuated wildly from an initial estimate of between \$441,858 to \$9,171,021.

The RSG employed a combination of experience, similar studies, current applicable law and practices, and the Guide for the LAFCO Process for Incorporations ("Guidelines") in developing the methodology and analysis contained in this CFA. 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."

On August 16, 2023, the County Administrator's Office and other departments met with RSG and LAFCO to share what they believed to be the actual costs of police services to the Proposed Boundary, stating that they concluded that RSG's estimates were overstated. During this meeting, the Sheriff's Department stated that they believed no police services were being provided by the County Sheriff to the MHCS D outside of the contract with the MHCS D. In effect, the Sheriff's Department concluded that the County itself was not providing the base level police services required by the County/MHCS D Police Protection Services Agreement and that the County's actual costs outside of this agreement were \$0.

Based on this information, the updated estimate of total police costs, inclusive of both the \$0 "base" level of services and the supplemental police services (\$1,943,114), resulted in a relatively low level of police costs on a per capita basis of \$72 as compared to the peer cities range of \$158 to \$257 per capita. Not only because the updated County Sheriff's Department estimate appears low but also excludes the responsibilities of the County under the County/MHCS D Police Protective Services

Agreement, RSG does not conclude the Sheriff's revised August 2023 estimate is accurate or complete.

Ultimately, RSG has concluded that the County's March 2023 estimate and revised August 2023 estimate of actual Sheriff costs in the Proposed Boundary are not accurate, and the CFA uses a methodology based on the County's figures, calls for service, and the County/CSD Police Protection Services Agreement to estimate the net cost of services transferred from the County to the new City as described below. On August 21, 2023, the LAFCO Executive Officer provided an email to the County Administrative Office advising the County of this methodology as well.

Methodology:

RSG's cost estimate relies on actual Countywide costs of services in 2021-22 provided by the County Sheriff's Department. In 2021-22, the Sheriff's Department actual costs were approximately \$259.5 million. Because the Sheriff's Department includes animal control costs, contract costs for the City of Lathrop, County detentions and corrections, and special services division costs that are not part of the County's net cost of services transferred to the new City, RSG adjusted the total Countywide costs to determine the amount of local policing costs throughout the unincorporated County. This amounts to approximately \$86.3 million in policing costs provided to the unincorporated County, inclusive of the base and supplemental services in the MHCS D Police Protective Services Agreement as well as that of other unincorporated communities in the County.

As mentioned earlier, the Proposed Boundary accounted for approximately 4.85 percent of the total calls for service in the unincorporated County during 2021-22. RSG believes this percentage is a reasonable estimate of the percentage of Countywide costs for policing services in the Proposed Boundary, and thus multiplied the \$86.3 million in policing costs by the 4.85 percent share to conclude that the total costs for policing services in the Proposed Boundary was approximately \$4,184,642 in 2021-22, inclusive of both the base level of services provided by the County and the supplemental policing services paid by MHCS D under the County/CSD Police Protective Services Agreement.

For context, the \$4,184,642 total costs for policing costs is approximately \$155 per capita in the Proposed Boundary and is comparable to the range of costs found in the peer cities of \$158 to 257 per capita.

According to the County Sheriff's Department and the MHCS D, the supplemental contract costs were \$1,943,114 in 2021-22, so therefore RSG estimates that the County's cost of services for the base policing services is the difference between the total cost of \$4,184,642 and the contract for supplemental services of \$1,943,114. As a result, it is RSG opinion that the County's net cost of services for base policing costs is \$2,241,528.

The County hired HdL ECONsolutions (HdL) to perform a peer review of the CFA. As a result of this review HdL found that, **"The Comprehensive Fiscal Analysis (CFA) prepared by RSG, provides an assessment of the financial implications associated with the proposed incorporation of Mountain House Community**

Service District (MHSCD) into a new city. The CFA offers an evaluation of revenue and expenditures, and soundly estimates the potential impact of incorporation on the affected agencies, particularly Tracy Rural Fire District.”

On September 1, 2023, the LAFCO Executive Director received an email from the Senior Deputy County Administrator indicating that 1) they believed that the Sheriff's Office “would continue to provide basic unincorporated levels of services to the MHSCD”, and 2) that they believe the cost of this equates to two deputies (not beats) totaling \$441,858, including administrative overhead surcharges.

In reviewing these figures, it remains unclear whether the County understands that after incorporation law enforcement services (both what are considered base and supplemental services in the current arrangement with the County) would transfer to the new City, who may contract with the Sheriff's department for these services.

It is our opinion that the County appears to be incorrect if they believe that these services would remain with the County after incorporation. As described in the Plan for Services, the new City would be responsible for local law enforcement services; they may contract with the County Sheriff to perform these services, but the responsibility would remain with the new city exactly like all cities in the County.

Moreover, the cost of two officers is not sufficient to provide 24/7 service to the area as a single beat requires typically 6 officers, not 2. Even if 6 officers were the actual level of base services provided, that would result in a relatively low level of officers for the community of 27,000 (0.22 officers per 1,000 residents, where the typical coverage can be closer to 4 times this amount).

Therefore, the recommendation is to find that the CFA cost of base level law enforcement services of \$2,241,528 was derived using a methodology that complies with State guidelines and is an accurate reflection of the cost of base level law enforcement services.

DETACHMENT FROM TRACY RURAL FIRE DISTRICT : Originally the Tracy Rural Fire Protection District provided service to MHSCD. The Fire Station, Station 98 was accepted and dedicated at no cost the Tracy Rural Fire Protection District.

On September 11, 2013, the MHSCD Board accepted and filed the Review of Charges for Fire Services – Fiscal Year 2011-12 that included the following directions:

- 1.) Send a notice to Tracy Rural Fire District of the pricing dispute, thereby notifying Tracy Rural Fire of a potential breach in the contract.
- 2.) Request to enter into new Contract negotiations based on a Fee for Service structure as opposed to a percentage cost allocation structure and returning ownership (title) of all property to MHSCD as a cure for the breach in item 1.
- 3.) Set a fixed length of time for the new contract negotiations to be complete.
- 4.) If the negotiations are not completed within the time frame (curing the breach of contract) then bring the issue back to the Board of Directors along with an RFP

which would be designed as a contract for services. The RFP would be open to all respondents including, but not limited to, Tracy Rural Fire, South Valley Fire, and City of Tracy Fire.

5.) Simultaneous to items 1 – 4, enter into negotiations with the Tracy Rural Fire District for repayment of over-charges.

On February 11, 2015, pursuant to direction Item 4 given the MHCS D Board found that French Camp McKinley Fire Protection District was the most responsive proposal for fire protection services to MHCS D.

Then on August 11, 2015, the MHCS D pursuant to direction #2 given and refusal by Tracy Rural to return property, including MHCS D Fire Station 1 (Fire Station 98), the MHCS D Board approved Resolution R-2015-28 approving the inter-fund loan from the community facilities fee fund (fund 47818) to the special tax no. 2: public safety fund (fund 47835) in an amount not to exceed \$2,970,000 plus closing costs made for the purpose of financing the purchase of fire station 98 and approving an appropriation adjustment to fund said interfund loan.

The purchase of the Fire Station from Tracy Rural when the station was dedicated at no cost to Tracy Rural represents a double payment for the facility by MHCS D and a windfall for Tracy Rural. As a result Tracy Rural has benefitted in having funds available for expenditures since the purchase date.

MHCS D: DIVESTITURE OF POWERS; ANNEXATION OF TERRITORY; AND ESTABLISHMENT AS SUBSIDIARY DISTRICT: As part of the reorganization, the existing MHCS D will be divested of all of its powers with the exception of CC&R enforcement powers established as a subsidiary district of the proposed new City of Mountain House. Additional territory to correspond with the LAFCO Alternative Boundary will be annexed into MHCS D.

Currently municipal services within the proposed incorporated City boundary are 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 be shifted to the responsibility of the new city, with the exception of the enforcement of CC&Rs.

EFFECTIVE DATE: CKH requires the Commission to establish a specific effective date for a new city with certain limitations. The effective date must be included in the terms and conditions of any approval of the proposal. The effective date assumed in the CFA, July 1, 2023, is recommended if the Commission decides to approve the incorporation.

FINDINGS, DETERMINATIONS, TERMS AND CONDITIONS:

CONCLUSIONS:

The consideration of this reorganization including the incorporation of the City of Mountain House incorporation has been well planned since the inception in the 2010 County General Plan, over 30 years ago. The MHCS D has planned, constructed and

maintained urban services since before the issuance of the first building permit in the boundary area. Today MHCS D provides services for an estimated 27,032 residents. The incorporation of the City of Mountain House will enable residents to determine the environmental and economic values of their elected and appointed officials facilitating local control of government. The CFA found that incorporation is fiscally sound, ensuring that the City can provide services for existing and future generations of Mountain House residents.

In part because of well planned and executed Mountain House Master Plan, by initially the Board of Supervisors and since 2008 directly by a directly elected MHCS D Board, all necessary findings for the reorganization can be made. Each of those required findings are included in the Resolution Making Determinations attached hereto.

Attached:

- Resolution 23-1526
- Exhibit A Maps and Legal Descriptions
- Exhibit B Justification of Proposal
- Exhibit C Mountain House Resolution R-2022-16
- Exhibit D Final Initial Study and Negative Declaration
- Exhibit E Comprehensive Fiscal Analysis – Dated 09/05/2023
- Exhibit F Protection Services Agreement
- Exhibit G Comment Received
- Exhibit H Mountain House MSR
- Exhibit I Mountain House Staff Report – Accept the Report of the Review of Changes for Fire Services – Fiscal Year 2011-12 and Provide Future Action
- Exhibit J Mountain House Resolution R 2015-28
- Exhibit K Mountain House Staff Report – Consideration of award for Mountain House Fire Contract Services
- Exhibit L San Joaquin County Peer Review of CFA
- Exhibit M Water agreements between BBID and MHCS D