SAN JOAQUIN COUNTY LOCAL AGENCY FORMATION COMMISSION
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COMPREHENSIVE FISCAL ANALYSIS OF THE PROPOSED INCORPORATION OF THE CITY OF MOUNTAIN HOUSE

SEPTEMBER 5, 2023

RSG
BETTER COMMUNITIES.
BOLDER FUTURES.

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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

INTRODUCTION

On February 23, 2021, the Mountain House Community Services District ("MHCSD" 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 MHCSD to the City of Mountain House ("City").

Since the original filing in February 2021, the MHCSD Board of Directors amended the original application three times. First, on May 11, 2022, the MHCSD Board of Directors approved an Amended Resolution of Application for Incorporation to LAFCO which clarified that MHCSD 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 2nd, 2022, MHCSD 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 MHCSD. 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 MHCSD'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 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.

- 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 101, Tracy Rural has benefitted from substantial capital improvement assistance from MHCSD that may offset any claim for revenue neutrality payments.

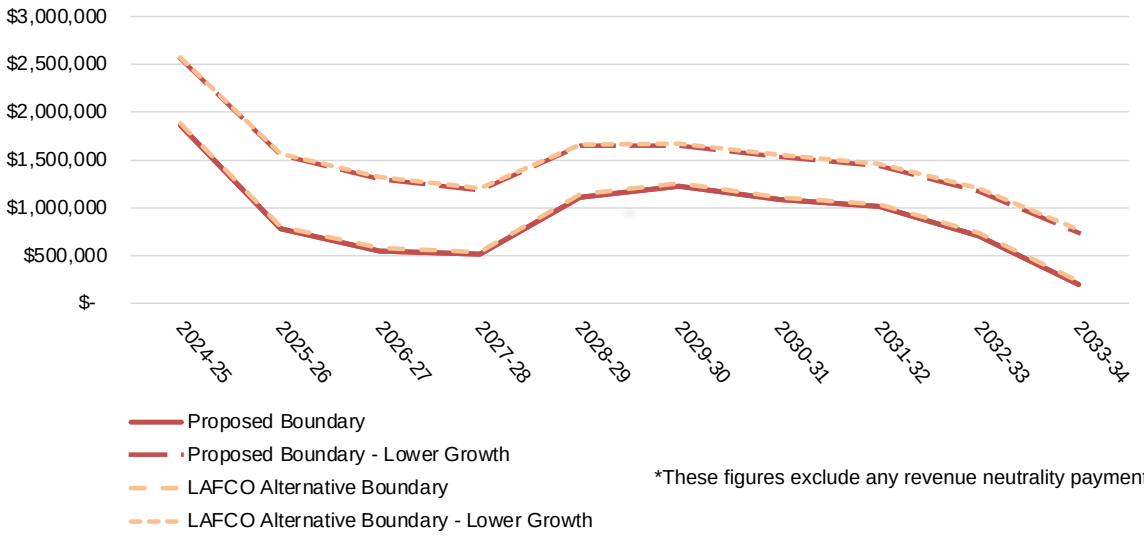
- Incorporation Projected to be Feasible Under Different Boundary and Growth Alternatives: RSG determined that the three alternatives to the proponents' incorporation scenario are also feasible as projected General Fund revenues exceeding expenditures in our forecast. The alternatives are as follows; 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

		Proposed Boundary			Alternative Scenarios: Surplus/(Deficit)		
Year		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	17,443,541	513,612	1,187,810	536,565	1,203,784
4	2028-29	18,138,053	17,026,481	1,111,572	1,644,525	1,138,757	1,661,459
5	2029-30	19,484,603	18,258,511	1,226,093	1,649,694	1,253,487	1,670,713
6	2030-31	20,332,003	19,246,372	1,085,631	1,530,200	1,112,757	1,553,184
7	2031-32	21,589,303	20,581,012	1,008,291	1,434,659	1,035,209	1,461,725
8	2032-33	22,315,974	21,610,648	705,326	1,167,206	734,156	1,203,951
9	2033-34	23,064,509	22,866,157	198,352	742,535	228,048	772,883



*These figures exclude any revenue neutrality payments.

RECOMMENDED LAFCO FINDINGS AND DETERMINATIONS

Based on the major findings of the CFA, RSG recommends LAFCO to make the following key findings and determinations:

- Find the proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the first three fiscal years following incorporation pursuant to Government Code Section 56720 (see Appendix 1).
- Determine the following property tax exchange between the affected agencies and the proposed city shall be as follows:
  - From County of San Joaquin: Pursuant to Section 56810, determine the base year property tax to be transferred from the County to the proposed city is $1,533,435, based

on a net cost of services in the base year of $2,743,175 and an Auditor's Ratio of 55.9 percent (see Figure 16).

- From MHCSD: Pursuant to Section 56810, determine the base year property tax to be transferred from MHCSD to the proposed city is $6,062,638, based on a net cost of services of $6,525,892 and an Auditor's Ratio of 92.9 percent (see Figure 16). This amount is equivalent to 15.00 percent of the general tax levy, which the County Auditor Controller can be directed to remit as a term and condition of incorporation (see page 35 et seq.).
- To be detached from Tracy Rural: Pursuant to Section 56810(d), determine the base year property tax to be transferred from Tracy Rural to the proposed city is $8,005, based on property tax revenues generated by the eight (8) parcels that will become part of the City (see Figure 15).

- Determine that a provisional appropriations limit of $31,765,559 is established pursuant to Government Code Section 56812 (see Figure 46).
- Revenue Neutrality. Pursuant to Section 56815, determine the following:
  - Determine that the amount of revenue transferring from the County to the proposed city is substantially equal to the cost of services similarly transferred (see Figure 44).
  - Determine that the amount of revenue transferring from Tracy Rural is substantially equal to the cost of services similarly transferred as a result of its minor net revenue loss being offset by recent capital improvement assistance from MHCSD (see Figure 45 and page 93).

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 205 ("I-205"), 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.

Figure 2 – Mountain House Population Comparison

City Name	*Population* [1]
Stockton	322,489
Tracy	94,538
Manteca	86,859
Lodi	66,570
Lathrop	31,331
Mountain House[2]	**27,032**
Ripon	15,979
Escalon	7,362
Total Cities (with Mountain House)	652,160
Unincorporated (Less Mountain House)	132,138

[1] *Population sourced from DOF January 1, 2022 Population Estimates*

[2] *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

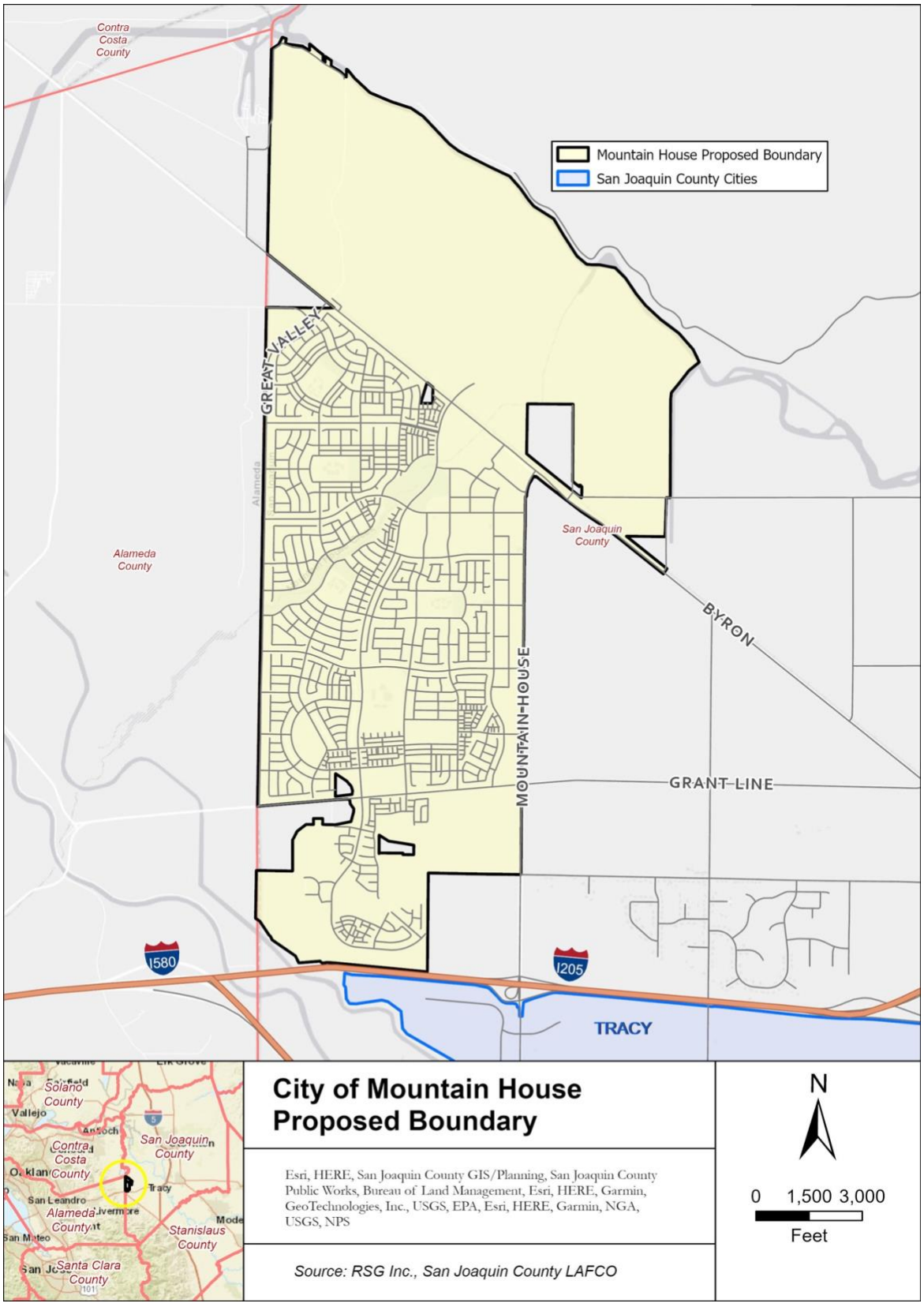
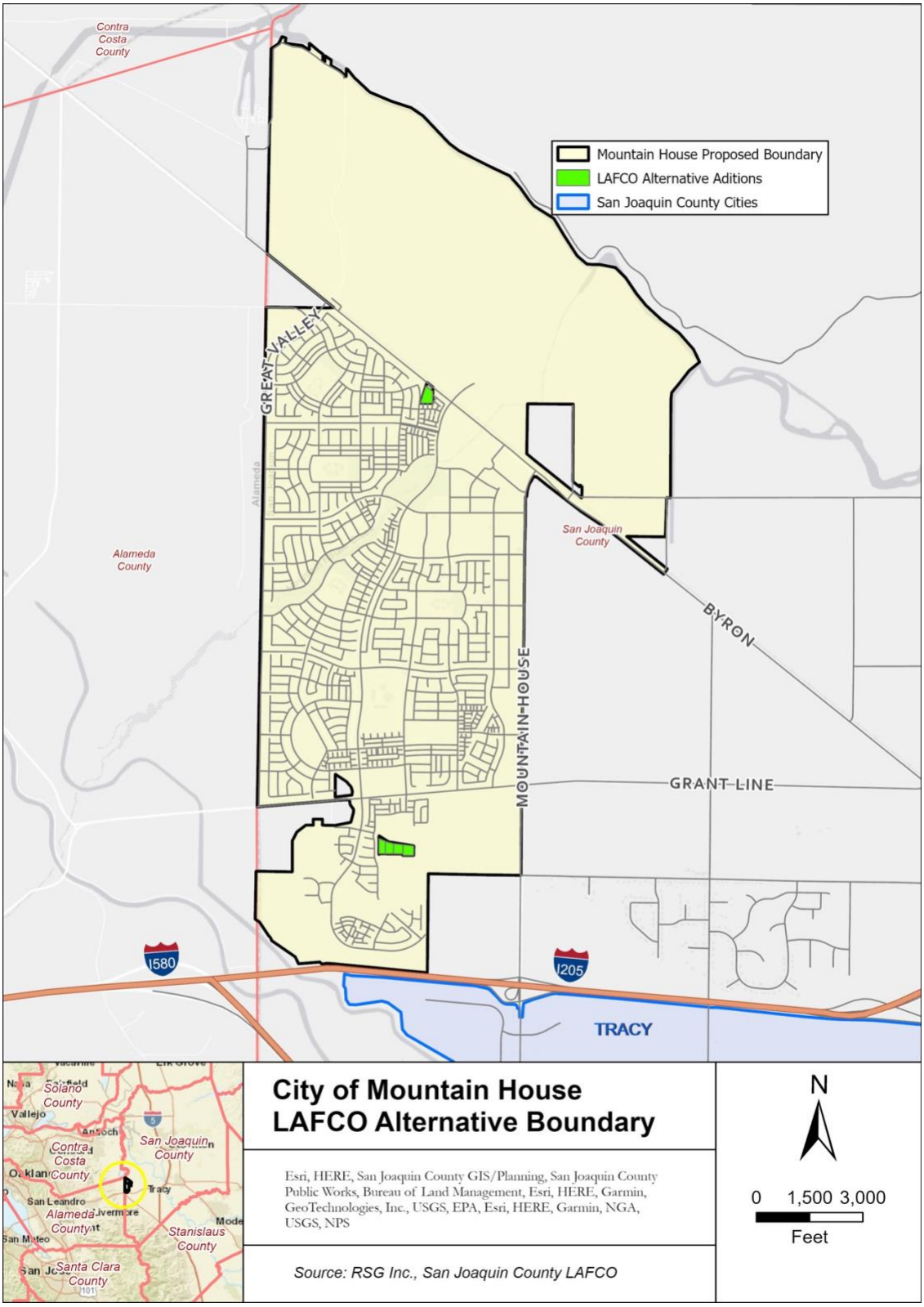


Figure 4 – LAFCO Alternative Boundary



BACKGROUND

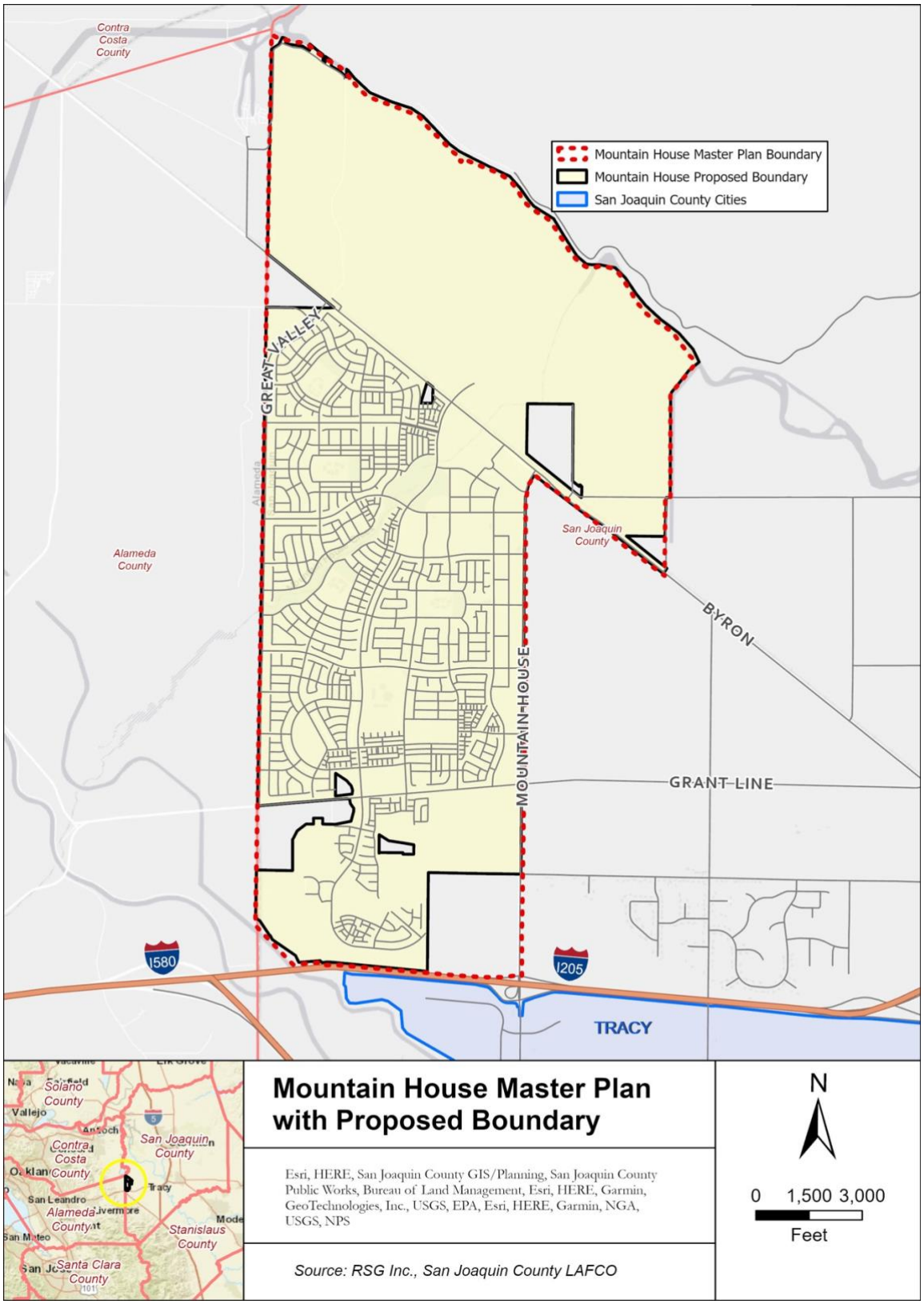
MOUNTAIN HOUSE MASTER PLAN AND THE CREATION OF MHCSD

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 MHCSD 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 MHCSD 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.[1] 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.

[1] The 2020 Census geographic unit for Mountain House generally aligns with the Master Plan area more than the MHCSD boundary.

Figure 5 – Mountain House Master Plan



PROPONENTS INCORPORATION APPLICATION

On January 13, 2021, the MHCSD 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. MHCSD 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, MHCSD then amended its application for incorporation in May of 2022 to clarify that the MHCSD 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, MHCSD applied for the annexation of several parcels in the overarching Mountain House Master Plan area. MHCSD 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,[2] 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.

[2] Chapter 761, Statutes of 2000

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:

February 23, 2021	MHCSD submitted an Application of Incorporation to LAFCO
May 11, 2022	Board approved an Amended Resolution of Application for Incorporation to LAFCO.
November 2, 2022	MHCSD submitted an application for the annexation of additional territory to be included in the CFA.
May 23, 2023	Draft CFA circulated to LAFCO
June 13, 2023	Draft CFA circulated to MHCSD
July 2023	Final CFA circulated to County, and public review period
August 2023	Community workshop
August 2023	LAFCO completes Certificate of Filing
September 2023	LAFCO Commission Public Hearing
March 2024	Election for incorporation (tentative)
July 1, 2024	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.

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 MHCSD 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 MHCSD 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.

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.[3]"*

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, MHCSD 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 MHCSD requesting construction-growth data.
February 24, 2023	On behalf of the LAFCO Executive Officer, RSG also sent a data request to the MHCSD 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 ("County CDD"), Tracy Rural, and California Department of Tax and Fee Administration ("CDTFA").
March – July, 2023	On behalf of LAFCO Executive Officer, RSG sent follow up inquiries to the County CDD, the San Joaquin County Sheriff's Department, and San Joaquin County Auditor Controller for additional data needs including: a fee

[3] A Guide to the LAFCO Process for Incorporations, October 2003, Governor' Office of Planning and Research, page 34

revenue breakdown of the Base Year[4], a law enforcement calls for service percentage, a pro-ration of the total Sheriff budget, revenues received by the Sheriff in the MHCSD, and an Auditor's Ratio for the MHCSD.

Responses to Data Requests

In response to these requests, various agencies provided responses between March and July, 2023. A summary list of what was received is provided below:

- Auditor Controller: County and MHCSD Auditor's Ratio, MHCSD and Tracy Rural property tax increment, Assessed Valuation Reports, and total property tax revenues.
- Registrar of Voters: Total registered voters in Proposed Boundary and LAFCO Alternative Boundary.
- County Administrator: Sales tax data in MHCSD according to consultant HDL.
- Sheriff's Department: Supplemental contract invoices, agreements, and spreadsheet; base level service costs in spreadsheet analysis, spreadsheet of revenues levied, calls for service totals.
- County CDD: Affordable housing fund balance and historical cash flow, fee revenue query, consulting contract costs, and fee schedules.
- Tracy Rural: Calls for service and cost of service estimate.
- CDTFA: Sales tax data for MHCSD Zip Code.

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.

[4] County CDD provided a breakdown of the fee revenues received before and after a new fee schedule went into effect on January 31st, 2022.

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 24 for more information on how these other cities’ financial information was used in the development of this CFA.

THE INCORPORATION PROPOSAL

PLAN FOR SERVICES

Municipal services in all analyzed boundaries are currently the responsibility of three entities: the MHCSD, the County, and 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 the services exercised by other public agencies. For example, cities are not authorized to enforce CC&Rs recorded on title of real property, while certain community services districts may perform these enforcement duties. This is relevant because MHCSD 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 MHCSD of all of its powers with the exception of the power to enforce CC&Rs, and to establish MHCSD as a subsidiary district of the City.

Existing Municipal Service – MHCSD

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

As confirmed with the corresponding 2022 Municipal Services Review, the services provided by MHCSD include:

- Road maintenance
- Parks and recreation
- Supplemental policing services (provided by San Joaquin County Sheriff) pursuant to the 2004 Police Protection Services Agreement between the County and MHCSD ("County/CSD Police Protection Services Agreement"), contained herewith in Appendix 11[5]
- CC&R Enforcement (to be provided by MHCSD 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)
- Solid waste collection/disposal (provided by West Valley Disposal)

Existing Municipal Service – County of San Joaquin

The County is currently responsible for the provision of several types of local municipal services to MHCSD. These services *will become the responsibility of the new City* upon incorporation:

- Animal Control (provided by San Joaquin County Sherriff's Department – Animal Services Division)
- Base level policing services in the unincorporated areas pursuant to the County/CSD Police Protection Services Agreement[6]
- Building and safety (provided by County CDD, minor MHCSD input)
- Code enforcement (provided by County CDD)
- Engineering (provided by County CDD, minor MHCSD input)

Existing Joint Services – MHCSD and County of San Joaquin

MHCSD and the County both provide some aspect of the following services. Upon incorporation, these services *will become the sole responsibility of the new City*:

- General government
- Land-use planning (County CDD, with MHCSD advisory)

Existing Fire Services – MHCSD and Tracy Rural Fire Protection District

MHCSD and Tracy Rural both provide the following services. Upon incorporation, these services *will transfer to the new City*:

[5] Per the Police Protection Services Agreement dated June 15, 2004, the County provides supplemental contract law enforcement beyond a basic level of service provided to unincorporated areas.
[6] The 2004 Police Protection Services Agreement, a 2017 budget adjustment memo, and the 2022 Mountain House Municipal Service Review ("MSR") all confirm the County's responsibility to provide basic level law enforcement outside of the supplemental contract.

- Fire protection/EMS services
  - within MHCSD, provided under contract with French Camp McKinley Rural County Fire Protection District ("French Camp Fire District")
  - outside of MHCSD but in Proposed Boundary, 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 in the MHCSD would transfer to the new City, along with portions of the revenue and costs 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

Public Service	Responsibility/ Provider	Anticipated Provider	Service Change
Animal Services	County/SJSO Animal Control	New City–- Contract with SJSO Animal Control	No Change
Building and Safety	San Joaquin County	New City–- City Staff and Contract Services	New Provider
Cable Television/Broadband Telecommunications	Franchise Agreement	Franchise Agreement	No Change
CC&R Enforcement	MHCSD	MHCSD (Subsidiary District)	No Change
Code Enforcement	San Joaquin County	New City–- City Staff and Contract Services	New Provider
Domestic Water	Private Operator / BBID	Private Operator / BBID	No Change
Engineering	San Joaquin County & MHCSD	New City–- City Staff and Contract Services	No Change
Fire Protection/EMS	Responsibility: MHCSD[2] & Tracy Rural	New City–- Contract with French Camp Fire District[2]	New Provider
Gas	PG&E	PG&E	No Change
General Government	San Joaquin County & MHCSD	New City–- City Staff and Contract Services	New Provider
Land Use Planning	San Joaquin County (Authority) & MHCSD (Some Services)	New City–- City Staff and Contract Services (Authority and Services)	New Provider
Library	MHCSD with the Stockton- San Joaquin County Unified Library System	New City with the Stockton–- San Joaquin County Unified Library System	No Change
Parks & Recreation	MHCSD	New City–- City Staff and Contract Services	No Change
Police Services	San Joaquin County Sheriff w/ MHCSD & San Joaquin County [1]	New City–- Contract with County Sheriff, Neighboring City, or Form Own Dept.	No Change
Public Education	Lammersville Unified School District	Lammersville Unified School District	No Change
Road Maintenance	MHCSD	New City–- City Staff and Contract Services	No Change

Solid Waste Collection/Disposal	Responsibility: MHCSD[3]	Responsibility: New City	No Change
Stormwater Services	Responsibility: MHCSD	Responsibility: New City	No Change
Traffic Control & Accident Investigation	California Highway Patrol	New City–- Contract with County Sheriff, Neighboring City, or Form Own Dept.	No Change
Wastewater/Sanitation	Private Operator	Private Operator	No Change

[1] Provider: Contract with San Joaquin County Sheriff only for supplemental policing services
[2] Provider: Contract with French Camp McKinley Rural County Fire Protection District
[3] Provider: Tracy Delta/West Valley Disposal

Level of Service Changes Anticipated by Incorporation

Because of the extent of municipal services provided by MHCSD 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 MHCSD Board of Directors is elected by voters within its jurisdiction, not all local governmental decisions are made by the MHCSD; 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 MHCSD has an advisory 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. This is customarily considered an increased level of service due to higher representation.

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

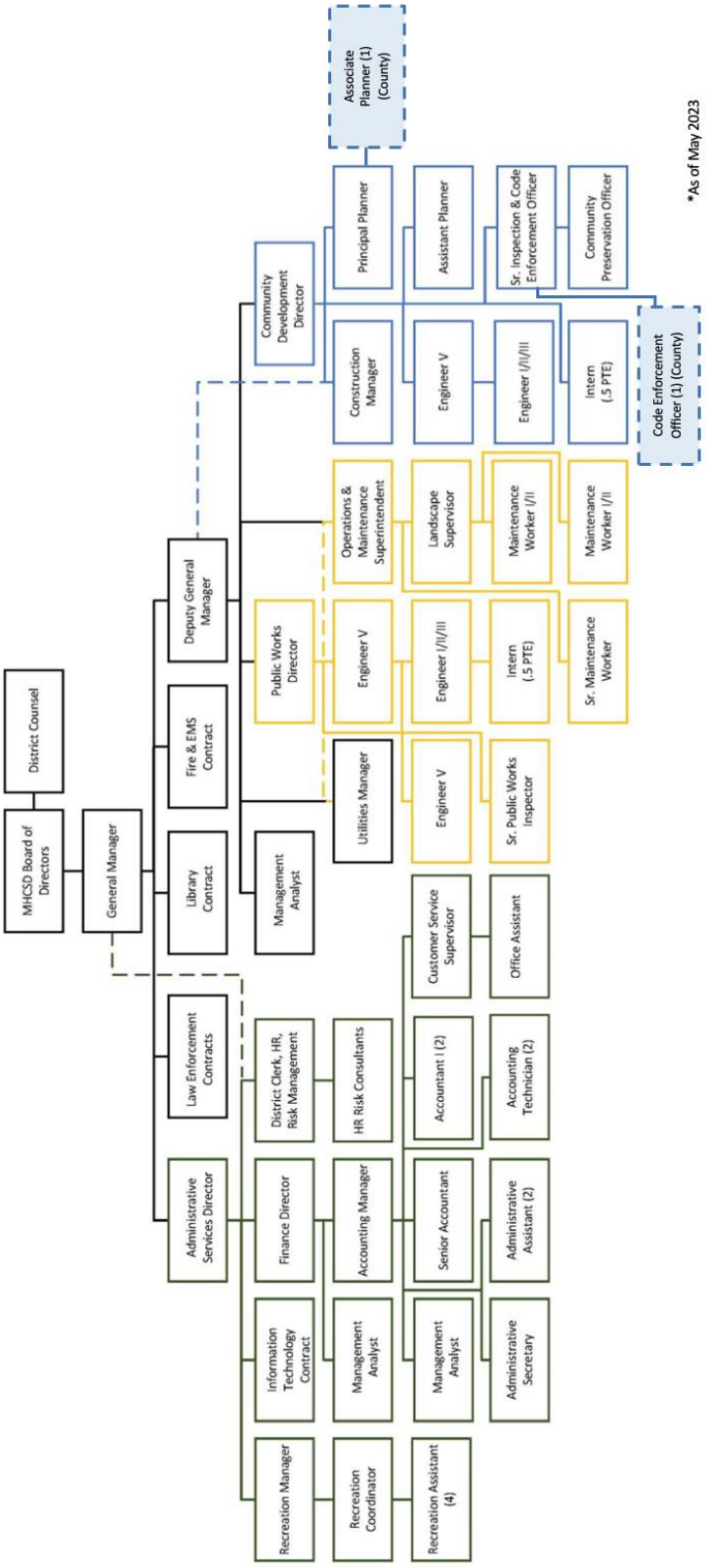
portion of public services provided by contract rather than permanent employees.[7] One advantage of contract cities is the ability to scale quickly as service demands dictate.

Figure 7 presents the FY 2023-24 organizational chart of MHCSD staff as of March 2023, inclusive of services provided through contracts.[8] For FY 2021-22, MHCSD 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.

[7] California Contract Cities Association
[8] According to the FY 2022-23 Annual Operating Budget and conversations with MHCSD staff.

Figure 7 – Organizational Chart



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 MHCSD 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 currently completed by the County CDD, separate and apart from the CC&R enforcement responsibilities which will remain with MHCSD. 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 existing vacancies will initially have salaries and benefits set by the MHCSD, 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 MHCSD staff that are assumed to fully transition over to the new City. All salaries we projected using FY 2021-22 salaries and benefits schedules provided by the MHCSD in response to the RFIs. Each salary projection includes a benefits ratio also based on data provided by the MHCSD. According to this data, the ratio of benefits to salary for MHCSD 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 MHCSD. MHCSD 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.

Figure 8 – Payroll Cost Comparison

Item Detail and Assumptions	Difference from Average		Proposed City Mountain House	Eastvale	Wildomar	Menifee	Lathrop	Yucca Valley	Oakley	Yucaipa
Total Population in 2021[1]			27,039	69,929	36,632	106,627	31,331	21,813	44,533	54,494
City Employees										
Total Number of Employees in 2021[2]			31	51	31	322	116	86	127	223
Benefits Ratio	31%		63%	15%	82%	29%	27%	28%	24%	17%
Permanent Employee Salaries & Benefits[3]										
Management										
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
Finance										
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	$60,070
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
Community Development										
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
Public Works										
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
Recreation										
Recreation Manager	66,688	57%	$193,974	N/A	N/A	N/A	$127,286	N/A	N/A	N/A
Other Compensation[3]										
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.

[1] *Department of Finance*

[2] *California State Controller's Government Compensation in California Website*

[3] *City Salary Schedules and Budgets for 2021-22 and California State Controller's Government Compensation in California Website*

Proposed Subsidiary District

The incorporation proposal requests that LAFCO divest MHCSD 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 MHCSD be established as a subsidiary district of the New City.[9] 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 MHCSD 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

[9] Per the MHCSD May 11, 2022 Amended Application for Incorporation

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.

Figure 9 – Peer Cities Analysis

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
Demographic Data								
Population	32,451	69,929	36,632	106,627	31,331	21,813	44,533	54,494
Service Data								
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
Fiscal Data								
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[1]	7.75%	7.75%	8.75%	8.75%	8.75%	8.75%	8.75%	7.75%
Property Taxes	9,619,000	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	3,412,951	352,600	894,514	3,639,715	742,529	106,191	3,100,000	503,045
Investment Earnings	26,600	350,000	96,849	952,318	200,000	80,000	700,000	553,932
Total Annual General Fund Revenues	$15,593,351	$27,722,060	$15,222,500	$74,661,280	$22,634,881	$15,132,782	$24,911,110	$31,053,445
Total Annual General Fund Expenditures	$14,812,379	$29,655,494	$15,620,100	$74,835,100	$26,772,978	$14,547,527	$27,953,559	$29,823,916
Services Provided								
General Government[2]	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[3]	4,733,939	19,521,772	9,365,095	26,028,557	9,835,206	5,164,539	11,705,674	16,051,158
Community Development[4]	6,913,891	6,302,117	2,760,824	10,653,559	5,415,300	1,536,711	2,410,048	3,471,264
Culture and Leisure[5]	-	694,120	683,551	1,577,838	1,797,182	1,766,170	3,390,750	2,103,607
Utilities[6]	-	61,100	-	-	-	-	-	668,300
Misc[7]	12,100	-	-	-	-	-	-	-

1 *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.*

2 *Includes legislative, management and support services.*

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

4 *Includes planning, construction and engineering regulations, redevelopment, housing, employment, community promotion, and other community development services.*

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

6 *Includes water, gas, electric and other public utility services.*

7 *Includes non-departmental expenditures.*

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.[10]

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:[11]

- 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

[10] Mountain House Master Plan and Specific Plan I EIR, September 1994. Baseline Environmental Consulting.
[11] State Clearing House (SCH) #2003102074

refinements were made based upon permitting reports from the County, a site visit to MHCSD 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

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

[1] *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.

MHCSD 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

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[1]		
	2 Yrs	5 Yrs	10 Yrs	2 Yrs	5 Yrs	10 Yrs
Residential Units	**1,657**	**3,993**	**7,208**	**1,476**	**3,504**	**5,755**
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
Commercial SF	**35,000**	**150,500**	**275,500**	**35,000**	**150,500**	**250,500**
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
Industrial SF	**278,518**	**778,518**	**778,518**	**161,025**	**662,525**	**778,518**
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

[1] *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.*

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.[12]

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.[13] 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.[14]

In 2021-22, the Proposed Boundary contained approximately 1,000 employees in the workforce.[15] Employment figures increase with the development of commercial and industrial space. RSG developed an employee forecast using square feet per employee estimates from a 2019 Hansford Consulting report commissioned by the County CDD[16]. Figure 13 shows the projected employee population in the City, with a FY 2033-34 employee population of 1,856.

[12] The annual growth rate of 1.4 percent was derived from ESRI's projections through to 2027.
[13] 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.
[14] Berkson Feasibility Study, Mountain House Finance Authority - Utility Systems Revenue Bonds, 12/12/2019, Page 20
[15] ESRI Business Analyst
[16] Per Square Foot Estimate from "Mountain House Jobs Housing Review 2019", Hansford Consulting

POPULATION FORECAST

PROPOSED BOUNDARY

Population Projections		12 Month Period Beginning											
		7/1/22	7/1/23	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
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[1]	9,675												
2021-22 Population Projection[2]	27,032												
Annual Growth Rate 2010-22[1&2]	14.95%												
Annual Growth Rate 2022-27[3]	1.40%												
Average Household Size[3]	3.66												
Registered Voters[4]	11,768												
Vacancy Rate[2]	7.18%												
CFA Annual Growth Rate 2022-2033[5]	*6.18%*												

[1] *2010 US Census*

[2] *RSG Estimate based on ESRI 2022 data & San Joaquin 2022-23 Equalized Assessment Roll*

[3] *ESRI Business Analyst estimate used for existing population*

[4] *San Joaquin County Registrar of Voters*

[5] *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 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 Employees[1]	1,000											
Commercial SF Added		-	10,000	25,000	10,000	10,000	95,500	-	100,000	-	-	-
Square Feet per Employee[2]	480											
Industrial SF Added		25,518	-	63,250	-	62,500	62,500	-	-	-	-	-
Square Feet per Employee[2]	639											
Total Employees		1,040	1,061	1,212	1,233	1,351	1,648	1,648	1,856	1,856	1,856	1,856

[1] *ESRI Business Analyst Estimate*
[2] *San Joaquin County & Hansford Consulting Estimate*

Figure 13 – Employee Projections

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.[17] 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. MHCSD 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 MHCSD 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

[17] December 2022 12 month percent change in CPI was 6.5 percent, 1990 was 6.1 percent https://data.bls.gov/pdq/SurveyOutputServlet

General Fund activities, and thus could not affect feasibility. Water and wastewater fund levies currently assessed by MHCSD 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 MHCSD 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.

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, 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 $14 million in FY 2024-25 to $23.1 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' shares:

- The MHCSD 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,
- The 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's total share in the areas serviced pursuant to Government Code Section 56810(d).

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:

MHCSD Share of Property Taxes:

Based on RSG's analysis of County Auditor data showing the basic 1 percent property tax levy in 2021-22, MHCSD currently receives approximately 15.95 percent of the general property tax levy. If incorporated, a majority of these taxes would be transferred to the new City. Because not all MHCSD 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.

The results of the property tax exchange as proposed is described below:

- 15.00 percent to the City General Fund: Under the Plan for Services, virtually all of MHCSD's responsibilities would shift to the City, with the sole exception of enforcement of CC&Rs which cannot be enforced by a city. Pursuant to Government Code Section 56810(c)(2), RSG calculated the property tax share to be transferred from the MHCSD to the City by determining the net cost of services. The net cost of services must then be

multiplied by what is called the Auditor's Ratio[18] to determine how much of those costs are funded by property taxes. 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 MHCSD for general purposes during that same fiscal year.

On July 5, 2023, the County Auditor Controller provided a report on the 2021-22 Auditor's Ratio which concluded that 92.9 percent of the net cost of services are funded from property taxes in the MHCSD.

The following data points were used in the calculation of the net cost of services:

- MHCSD General Fund Expenditures (+$6,580,003): RSG analyzed the MHCSD audited trial balances for FY 2021-22 to determine what expenses in the general fund were funded by "general purpose" revenues. Section 56810(c)(1) & (2) require the exclusion of any "specific purpose" revenues, and any expenditures therefor, from the property tax transfer analysis. Based on this information, RSG determined that about $6.5 million in general purpose expenditures, almost entirely comprised of MHCSD General Fund expenditures.

  Figure 16 following this section shows where the general purpose expenditures are in the calculation. General purpose expenditures exclude the cost of enforcement of CC&Rs. See page 95 for more information on the nature and cost of services for CC&R enforcement estimated by RSG.

- MHCSD Specific Purpose Revenues (-$54,021): The MHCSD receives certain charges for services and grant income that would classify as specific purpose revenue pursuant to 56810(c)(1).

  This $54,021 is subtracted from the $6.5 million in costs to produce a total net cost of services that would transfer from the MHCSD to the City of $6,525,982. This amount is multiplied by the Auditor's Ratio as shown below:

MHCSD Property Tax Transfer to City – Base Year 2021-22

Net Cost of Services	x	Auditor's Ratio	=	Property Tax Transfer
$6,525,982	**x**	**92.9 percent**	**=**	**$6,062,638**

- 0.95 percent to Subsidiary District: the remainder of the current MHCSD share would be retained by the MHCSD for CC&R enforcement. The MHCSD would be established as a Subsidiary District of the new City for the exclusive purpose of enforcement of CC&Rs. The Subsidiary District's property tax share was determined as the net share available after calculating the net cost of services that would transfer from the MHCSD to the City, exclusive of CC&R enforcement. This provided a share of 0.95 percent.

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 $2,743,175**.

[18] Also referred to as a "determination" in GOV Sec. 56810

The methodology for computing the 2021-22 net cost of services transferred from the County are described below:

- Sheriff Department (Base Level) Costs (+$2,241,528): The largest cost transferred to the new City will be from the Sheriff's Department. According to Item 2 of the County/CSD Police Protection Services Agreement, MHCSD contracts with the Sheriff for supplemental policing service beyond the "basic unincorporated area level of service".[19]

  Under the County/CSD Police Protection Services Agreement, the County is responsible for funding this base level law enforcement services like they do for all other unincorporated areas of the County. In a 2017 budget adjustment memo, the County Sheriff's Department stated that the MHCSD receives "services above and beyond the level of service provided by unincorporated county patrol".[20] According the 2022 Mountain House MSR, the unincorporated County patrol responsible for the MHCSD is called "Beat 8", which provides one deputy to the western part of the County.

  The County/CSD Police Protection Services Agreement and the budget adjustment memo are located in Appendix 11.

  Actual costs for the Sheriff base level law enforcement services in the Proposed Boundary were determined using the County's FY 2021-22 actual costs as provided by the Sheriff's Department in their FY 2022-23 Budget and calls for service data for the corresponding year.

  According to the response, the Sheriff responded to a total of 5,857 calls within the Proposed Boundary, representing approximately 4.85 percent of the total Sheriff calls received in FY 2021-22. For context, RSG estimates that the population of the Proposed Boundary in that year was 27,032.

  RSG received various estimates of actual costs of services to the Proposed Boundary from the Sheriff's Department in response to our request for information. On March 28, 2023, the Sheriff staff concluded that the actual costs for providing police services to the Proposed Boundary equaled approximately $9.1 million, including both base and supplemental police services. Relative to the population, this equates to a cost of $339 per capita for law enforcement. For context, the peer cities analysis concluded that the typical cost for police services in comparable cities ranges between $158 and $257.

  In reviewing the information used by the Sheriff's Department to determine this figure, RSG identified that the Sheriff's Department total included costs for services already paid for, like the MHCSD supplemental contract, and those not being transferred to the city, such as countywide non-MHCSD animal control, the Lathrop contract, detentions and corrections, and special services. RSG requested clarification from the Sheriff's Department whether these costs could be removed for the purposes of this CFA. The Sheriff's Department confirmed that the MHCSD contract could be removed but did not comment on the removal of the other costs. Because RSG believed this figure was grossly overstating actual costs based on the components included, RSG developed the CFA using a separate methodology and shared this information in the draft CFA made available to the County in July 2023.

  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

[19] Police Protection Services Agreement dated June 15, 2004
[20] Budget Adjustment Memo dated June 29, 2017 for the July 25, 2017 Board of Supervisors agenda

(despite being much less than the Sheriff's Department estimates). During this meeting, the Sheriff's Department stated that they believed no police services were being provided by the County Sheriff to the MHCSD outside of the contract with the MHCSD. In effect, the Sheriff's Department concluded that the County itself was not providing the base level police services required by the County/MHCSD 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/CSD Police Protective Services Agreement, RSG does not conclude the Sheriff's revised August 2023 estimate is accurate or complete.

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 MHCSD", 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).

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 this 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 Sherriff'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 MHCSD 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 MHCSD 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 MHCSD, 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, RSG believes the County's net cost of services for base policing costs is $2,241,528.

Figure 14 following this paragraph exhibits how RSG produced a refined base level law enforcement cost for the purposes of this CFA:

Figure 14 – Base Level Sheriff Cost Calculation

		FY 2021-22
Total Police Protection & Detentions/Corrections	$	259,529,838
Less Countywide Animal Control		(2,152,997)
Less Lathrop Contract Expenditures		(5,786,202)
Less Detention and Corrections		(160,262,881)
Less Special Services Division		(5,132,841)
Net Total Sheriff Costs (Countywide)		**86,194,917**
Rate of Mountain House/Countywide Calls[1]		4.85%
Net Mountain House TOTAL Service Costs	**$**	**4,184,642**
Per Capita (TOTAL)	*$*	*155*
Less Mountain House Contract (Expenditures)		(1,943,114)
Net Mountain House BASE Level of Service Costs	**$**	**2,241,528**

Source: County FY 22-23 Budget, 21-22 Actuals (Pg. 38-39), Sheriff RFI
[1] Rate of Mountain House calls is assumed to be for both Supplemental and Base

More is discussed on this in the Law Enforcement section of this CFA beginning on page 84.

- Sheriff Department Animal Control (+$74,876): In addition to the base level policing services, the Sheriff will also be transferring responsibility of their animal control services to the new City. According to the Sheriff's Department's response to the RFI on March 28, 2023, total animal control costs in the MHCSD were $74,876.

- Community Development Costs (+$1,630,863): The County CDD provides planning, code enforcement, plan check, 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 actual fee revenues. Costs were the backed into using the applicable cost-recovery ratios.

  Methodology

  Because the Community Development Department could not isolate costs for 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 County CDD 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 County CDD fees. This new fee schedule went into effect on January 31, 2022, meaning that fees from July 1, 2021 though 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 County CDD 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 County CDD. 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 County CDD 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.
  - Plan Check Costs (+$151,284): CDD related plan check services. These are not to be confused with County Department of Public Works plan check costs.

- Consultant Costs (+200,000): Actual costs include the County's contract with the consulting firm JB Anderson. The County spent $200,000 in 2021-22 on the cost for this third-party consultant.

- Fees and Charges for Services (-$1,204,092): The County provided actual fees and charges for services for the County CDD. 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:[21]
  - Sheriff's Department Fees (-$27,234): Fees include general services, animal control, reimbursements, and vehicle towing.
  - County CDD Fees (-$1,176,858): Fees include those for planning, building and safety, code enforcement, and plan check services performed by the County CDD.
- Property Tax Transfer from County: Pursuant to Government Code Section 56810, the total net cost of providing services is then multiplied by the Auditor's Ratio.[22] On March 13, 2023, the County Auditor Controller provided a report on the 2021-22 Auditor's Ratio for the County which concluded that 55.9 percent of the net cost of services are funded from property taxes. 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:

County Property Tax Transfer to City – Base Year 2021-22

Net Cost of Services	x	Auditor's Ratio	=	Property Tax Transfer
$2,743,175	**x**	**55.9 percent**	**=**	**$1,533,435**

Tracy Rural Share of Property Taxes:

Tracy Rural provides services to a relatively small portion (8 of the 7,918 parcels) of the Proposed Boundary. Responses to fire service and emergency calls from these 8 parcels will become the responsibility of the new City after incorporation by way of detachment of these properties from Tracy Rural. According to agency responses, Tracy Rural reported receiving a total of 8 calls for service in the areas around the MHCSD in FY 2021-22.[23]

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 property tax revenue in that area would be provided to the City.

[21] CDD fees according to response from CDD on April 25, 2023; Law Enforcement fees were a calculation based on calls for service ratio received in a response on March 28, 2023
[22] Also referred to as a "determination" in GOV Sec. 56810
[23] Tracy Rural FPD response to RFIs on March 23, 2023

According to RSG's analysis of the parcel data and Auditor reports, the TRAs 92001, 92002, and 92005 have a total of 8 parcels that will become part of the City. Tracy Rural receives approximately 12.8 percent of the 1 percent general tax levy in these TRAs. This amounts to about $8,005 in property taxes in the base year or FY 2021-22.

Figure 15 summarizes the transferred lands by TRA:

Figure 15 – Tracy Rural Property Tax Transfer Summary

TRA 92001	*TRA 92002*	*TRA 92005*	
1	6	1	Parcels
2	11	2	Acres
$ 911,917	$ 5,111,775	$ 190,620	Secured & Unsecured Assessed Value
1,175	**6,585**	**246**	**Property Tax Revenues**

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

Summary of Property Tax Shares Transferred

To compute the portion of the basic property tax levy from the County and MHCSD that is to be allocated by the County Auditor Controller to the City, please see the analysis in Figure 16. The respective base year property tax transfer from the County ($1,533,435) and MHCSD ($6,062,638) 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 16 – Property Tax Share Transfer

	Source Agency: San Joaquin County	Source Agency: MHCSD	TOTAL
Net Cost of Services Transferred to City[1]			
Sheriff - Base Unincorporated Services	$ 2,241,528	$ -	$ 2,241,528
Sheriff - Animal Control	74,876	-	74,876
Planning	43,291	-	43,291
Building Inspection	1,236,288	-	1,236,288
Plan Check (CDD)	151,284	-	151,284
Community Development Consultant	200,000	-	200,000
MHCSD General Fund Expenditures[2]	-	6,580,003	6,580,003
Total Costs	$ 3,947,268	$ 6,580,003	$ 10,527,271
Less Community Development Revenues	(1,176,858)	-	(1,176,858)
Less Sheriff Revenues	(27,234)	-	(27,234)
Less Specific Purpose MHCSD Revenues[3]	-	(54,021)	(54,021)
Net Costs Grand Total	$ 2,743,175	$ 6,525,982	$ 9,269,158
Auditor's Ratio (2021-22)[4]	55.9%	92.9%	
Property Tax Base Transferred to City	$ 1,533,435	$ 6,062,638	$ 7,596,073
Property Tax Revenue Adjustment[5]			
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	$ 1,930,602	$ 7,632,889	$ 9,563,490
Property Tax Computation[5]			
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	$ 1,930,602	$ 7,632,889	**$ 9,563,490**
Property Tax Shares to City	**3.79487%**	**15.00352%**	**18.79839%**

1 GOV Sec. 56810(c)(2)
2 General Fund trial balance expenditures net of transfers
3 Revenues pursuant to GOV Sec. 56810(c)(1)
4 Auditor's Determination/Ratio per GOV Sec. 56810(c)(3)
5 GOV Sec. 56810(c)(3)

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 from the County and MHCSD that would be allocated by the County Auditor Controller to the new City General Fund would be 18.69 percent. In addition, the Tracy Rural total share to be transferred, after projecting forward the revenues to FY 2025-26, is approximately 0.02 percent. This represents the ratio of the inflated property tax revenues generated to the expected total 1 percent property tax levy in the Proposed Boundary in FY 2025-26. For Tracy Rural, it is not inclusive of net cost of services data. RSG estimates the total City basic tax levy would then be 18.81 percent.

Approximate Share of Property Taxes to New City

	Source	Base Year $	Basic Levy Share
City General Fund			
	From MHCSD	$6,062,638	15.00 percent
	From County	$1,533,435	3.79 percent
	From Tracy Rural	$8,005	0.02 percent
	Total	$7,604,077	**18.81 percent**
Subsidiary District	Remains with MHCSD	$403,400	**0.95 percent**

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.[24] Costs in the forecast are inclusive of an inflationary adjustment of 4.73 percent.[25] 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 17 shows the forecast.

[24] RSG used estimates from the Marshall and Swift Valuation Service ("MVS") and the Building Industry Association of Fresno-Madera Counties.
[25] Turner Construction Building Cost Index annualized rate from 2018 to 2022

Figure 17 – Assessed Value Forecast

ASSESSED VALUE FORECAST
PROPOSED BOUNDARY

Item Detail and Assumptions	Value/Unit (2023 $)	Transition 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
New Construction Value											
Planned Commercial & Industrial Development[1]											
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[2]	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[2]	122	3,030,000	1,850,000	19,080,000	19,810,000	20,300,000	42,050,000	21,740,000	-	-	-
Total		18,350,000	3,770,000	26,080,000	27,070,000	24,600,000	65,560,000	49,520,000	29,770,000	24,580,000	-
Planned Residential Development[1]											
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[2]	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[3]	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
Total		75,170,000	124,210,000	190,320,000	279,440,000	317,270,000	272,140,000	240,140,000	234,120,000	223,110,000	212,290,000
Total New Construction		93,520,000	127,980,000	216,400,000	306,510,000	341,870,000	337,700,000	289,660,000	263,890,000	247,690,000	212,290,000
Total Assessed Value		4,864,010,000	5,087,400,000	5,402,990,000	5,813,230,000	6,265,230,000	6,721,400,000	7,138,730,000	7,539,600,000	7,932,800,000	8,298,790,000

[1] *4.73% Construction Cost Inflation from Turner Construction Building Cost Index annualized rate from 2018-22*
[2] *RSG estimate based on database of prior experience and the Marshall & Swift Valuation Service (MVS)*
[3] *Data from Building Industry Association of Fresno-Madera Counties on Central Valley Housing Construction Costs adjusted for inflation*

The MHCSD 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 MHCSD is 15.95 percent. The CFA transfers 15.00 percent to the City, leaving 0.95 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 MHCSD 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 3.79 percent from the County and 0.02 percent from Tracy Rural, for a final adjusted rate of 18.81 percent.

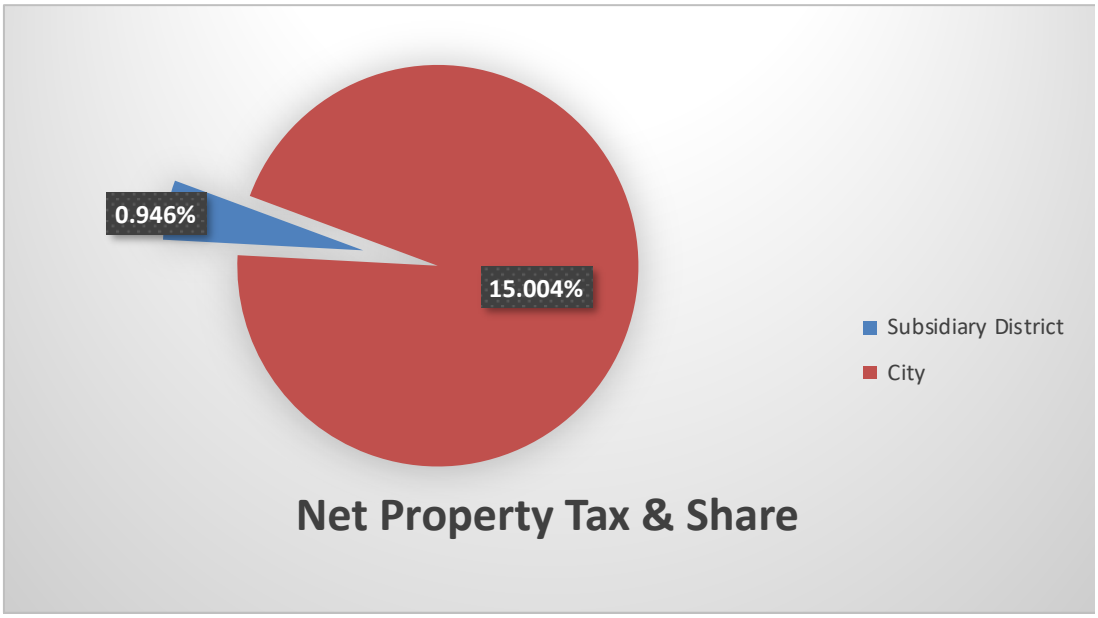
For this reason, RSG has assumed property tax revenues will be available to the City by the beginning of the transition year, or July 1, 2024. In the future, the City would receive its property tax revenues throughout the year, but most of the revenue would be distributed in December and April when secured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

In the event that property tax revenues assumed in this CFA cannot be shifted from the MHCSD 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 $56,800 in supplemental revenue and lose $13,400 in administrative fees.

In summary, the new City would receive a total of 18.81 percent of the property tax levy, consisting of 15.00 percent from the current MHCSD share, 3.79 percent from the County General Fund for the net cost of services transferred to new City, and 0.02 percent from Tracy Rural. Figure 18 visualizes the retention of the Subsidiary District share from the existing MHCSD share. Figure 19 displays the property tax revenues as projected

Figure 18 – Division of MHCSD Property Tax Share to Subsidiary District & City



PROPERTY TAXES
PROPOSED BOUNDARY

Item Detail and Assumptions		Transition 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
MHCSD 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[1]	0.946%	$ (460,400)	(481,500)	(511,400)	(550,200)	(593,000)	(636,200)	(675,700)	(713,600)	(750,800)	(785,500)
MHCSD Share to City	15.004%	$ 7,297,700	7,632,900	8,106,400	8,721,900	9,400,000	10,084,400	10,710,600	11,312,100	11,902,000	12,451,100
Tracy Rural Property Tax Share	0.020%	$ 9,600	10,100	10,700	11,500	12,400	13,300	14,100	14,900	15,700	16,400
County Property Tax Share[2]	3.795%	$ 1,845,800	1,930,600	2,050,400	2,206,000	2,377,600	2,550,700	2,709,100	2,861,200	3,010,400	3,149,300
Supplemental Revenue	*3.079%*	*$ 56,800*	*59,400*	*63,100*	*67,900*	*73,200*	*78,500*	*83,400*	*88,100*	*92,700*	*97,000*
Less: County Admin. Fee	*0.73%*	*13,400*	*14,000*	*14,900*	*16,000*	*17,300*	*18,600*	*19,700*	*20,800*	*21,900*	*22,900*
Net Property Tax & Share to City	18.818%	$ 9,196,500	$ 9,619,000	$ 10,215,700	$ 10,991,300	$ 11,845,900	$ 12,708,300	$ 13,497,500	$ 14,255,500	$ 14,998,900	$ 15,690,900

[1] *CC&R Fund/Subsidiary District share of the Property Tax Levy will remain with the MHCSD and thus will be subtracted from the share to the City*
[2] *Estimate of additional Property Taxes to the City based on transfer of County costs and revenues*

Figure 19 – Property Tax Revenues

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 MHCSD 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.[26] 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 MHCSD. 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 MHCSD 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 20 presents the adjusted taxable sales projections for the City.

[26] Correspondence with CDTFA dated March 27, 2023.

SALES TAXES

PROPOSED BOUNDARY

Item Detail and Assumptions	SF	Sales Per SF[1]	Transition 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[2]												
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	-	-
Total Taxable Sales			18,790,428	19,284,600	25,200,200	25,863,000	26,543,200	64,463,900	66,159,300	108,953,000	111,818,500	114,759,300
Total Sales Taxes[3,4]			$ 85,500	$ 174,200	$ 215,600	$ 233,600	$ 239,700	$ 499,800	$ 597,600	$ 893,200	$ 1,010,000	$ 1,036,500

[1] Grocery and Retail sales per square foot per market expectations from RSG experience. Convenience and Gasoline sales per National Association of Convenience Stores (NACS).

[2] Projection is inflated forward by CPI of 2.6%, based on December 2013 to December 2022 CPI

[3] Analysis incorporates a negative 10% market adjustment due to expected market conditions (CoStar, RSG)

[4] 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 20 – Sales Taxes

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.[27] 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,[28] 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 21 shows the projection of property transfer taxes.

[27] Revenue and Taxation Code Section 11901-11935
[28] According to actual resale volume data retrieved from California Association of Realtors, Metroscan, and the County Assessment Roll.

Figure 21 – Property Transfer Taxes

PROPERTY TRANSFER TAXES
PROPOSED BOUNDARY

Item Detail and Assumptions		Transition 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)	220,277										
($1.10/$1,000 transferred)[1]											
Projected Turnover											
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	13,143
Turnover Rate[2]	8.73%	720	770	840	900	950	1,000	1,040	1,080	1,120	1,150
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	1,698,600
Appreciation Rate (2018-22)[3]	8.3%										
Appreciation Rate (Later Yrs)[3]	2.6%										
New Home Sales Volume (in 000's)		55,600	48,900	97,400	242,200	317,300	272,100	240,100	228,500	205,700	197,200
(See Assessed Value Projections)											
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
Property Transfer Taxes (Projected)		$ 563,100	$ 611,400	$ 708,000	$ 852,800	$ 954,000	$ 991,800	$ 1,030,900	$ 1,083,600	$ 1,132,700	$ 1,182,800

[1] *California City Finance - Documentary and Property Transfer Taxes by County*
[2] *Rate of turnover for owned residential parcels in the Mountain House area during 2021-22*
[3] *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*

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.[29] 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 22 shows the future projections of the Community Development Fees.

[29] San Joaquin County's new fee schedule went into effect on January 31, 2022

COMMUNITY DEVELOPMENT FEES

PROPOSED BOUNDARY

Item Detail and Assumptions		Transition[1] 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[1]		$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%										
TOTAL		$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
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

[1] *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 22 – Community Development Fees

Business License Fees

The County levies a fee for business licenses. The fee is managed by the County CDD. After incorporation, the County would no longer be collecting these fees nor providing business licensing services to businesses in the Proposed Boundary. Business license fee revenue was not provided by the County CDD. Therefore, this CFA does not project any business license fee revenue to the City. If desired, the new City could adopt the corresponding ordinance of the County to continue this business license fee.

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.[30] 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.[31] 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 23.

[30] Section 3-4000 of Chapter 1, Division 4, Title 3 of the County Code
[31] CaliforniaCityFinance.com, "Implementing SB130(Roth): Property Tax In Lieu of VLF for Menifee, Wildomar, Eastvale, and Jurupa Valley"

Franchise Fees

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

- Modesto Irrigation District (Electricity): 1.5 percent of receipts[32]
- West Valley Disposal: 15 percent of receipts[33]
- Charter Cable: 5 percent of receipts[34]
- Pacific Gas & Electric: 2 percent of receipts[35]
- PacBell: 5 percent of receipts

RSG estimated future franchise fees based upon data from MHCSD and assumed the current rates would remain the same. MHCSD 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 23. 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 23, 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. RSG requested revenue data from the Sheriff's office on May 23, 2023. Data received from the request included revenues from reimbursements and animal control fees. RSG included additional fees derived from County budget data. The budget data included fees for general services, special events, removal and storage, false alarm calls, and vehicle towing. All revenue data was then pro-rated using calls for service data. In the Base Year or FY 2021-22, RSG estimates that the Sheriff's Department levied $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.

[32] The agreement includes an encroachment agreement.
[33] Tracy Delta provides solid waste services, and the rate includes the West Valley Commercial permit, which expires in June 2023.
[34] The franchise agreement expires in 2027 and includes a ten-year extension
[35] Includes an encroachment agreement; LAFCO Alternative additions also under PG&E

MISCELLANEOUS REVENUES
PROPOSED BOUNDARY

Item Detail and Assumptions		Transition 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 & Forefeitures		$ 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 Remmittance Advice 2021-22, & California City Finance Highway Users Tax 2021-22 Estimates

Figure 23 – Miscellaneous Revenues

SPECIAL TAXES AND LIGHTING AND LANDSCAPING ASSESSMENTS

Based on separate ordinances adopted on September 10, 1996[36], 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.[37] The four ordinances for the Special Taxes do not contain a sunset date. Figure 24 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.

[36] 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.

[37] Section 3.C of each original ordinance allows for an annual increase in rates of 4 percent.

Figure 24 – 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 MHCSD tax increase resolutions and found that the MHCSD has approved several rate hikes over the years. The MHCSD 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 MHCSD's financials, MHCSD collected a total of approximately $14.1 million in special tax revenues from these four separate taxes during FY 2021-22, consisting of:

Figure 25 – Base Year Special Tax Revenues

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

Each of these Special Tax revenues collected by MHCSD 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 MHCSD 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 MHCSD,
- 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 27.

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 26 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 26 – Special Tax Revenue Uses FY 2025-26

Projected Taxes in 2025-26	Assumed Use(s)	2025-26 Costs
Special Tax No. 1 /(Ord 96-1) Roads and Transportation Services and Community Services Operational and Administrative Functions	1% of Special Taxes for Community Development[38]	$ 59,285
	Public Works road costs	$ 3,798,968
	73% of Finance and Administration[39]	$ 3,205,284
	Road fund expenditures	$ 592,345
	Net Available in Special Tax Fund	$ 2,663,898
2025-26 Taxes: $10,318,968	**TOTAL**	**$10,318,968**
Special Tax No. 2 / (Ord. 96-2) Public Safety Service	Law enforcement costs (to the extent Special Taxes are available)	$ 2,648,580
	Fire protection costs (to the extent Special Taxes are available)	$ 2,648,580
	Animal control (100% of all costs)	$ 97,200
2025-26 Taxes: $5,394,361	**TOTAL**	**$ 5,394,361**
Special Tax No. 3 / (Ord. 96-3) Parks, Recreation, and Community Facilities	Public Works (operations / maintenance)	$ 160,025
	Recreation (100% of all costs)	$ 789,400
	Library (100% of all costs)	$ 207,400
2025-26 Taxes: $1,156,825	**TOTAL**	**$ 1,156,825**
Special Tax No. 4 / (Ord. 96-4) Public Works	Public Works (operations / maintenance)	$ 1,203,436
2025-26 Taxes: $1,203,436	**TOTAL**	**$ 1,203,436**

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

[38] In FY 2021-22, 1 percent of the Special Tax No. 1 revenues were used to pay for Community Development department costs.
[39] 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

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 MHCSD 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 MHCSD transferred to its capital projects fund in 2021-22[40]; 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 $49.0 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 MHCSD 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 27. 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 27.

[40] The MHCSD transferred $5.7 million in Special Tax revenues to capital project funds in FY 2021-22

Figure 27 – Special Taxes and Lighting and Landscaping Assessments

SPECIAL TAXES
PROPOSED BOUNDARY

Item Detail and Assumptions		Transition 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
Special Tax Revenues											
Tax No. 1: Roads[1]		$ 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[1]		$ 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[1]		$ 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[1]		$ 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[3]	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
SPECIAL TAX TOTAL		$ 16,350,794	$ 18,073,589	$ 20,069,505	$ 22,046,618	$ 23,765,320	$ 25,407,856	$ 27,062,857	$ 28,669,117	$ 30,173,927	$ 31,640,452
Lighting & Landscape Maintenance Districts											
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[2]	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

[1] *Special Taxes are assessed as Parcel Taxes on individual parcels. Growth per year of each tax is tied only to new development.*
[2] *Lighting & Landscape Maintenance District assessments are projected to remain flat for the duration of the CFA.*
[3] *The MHCSD has increased their Special Taxes by an average of 2.4% per year for the last 20 years.*

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 MHCSD's FY 2021-22 audited financials and its FY 2021-22 Adopted Budget. From the budget and conversations with MHCSD, 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 MHCSD is applying for a reorganization of its current structure to form a newly incorporated city, RSG has assumed MHCSD provided 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 MHCSD.[41] 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 MHCSD 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.

[41] MHCSD participates in a pension plan administered by the San Joaquin County Employees' Retirement Association (SJCERA). As of December 31, 2021, MHCSD 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.

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 MHCSD. It is important to note that the City Council expenditures forecast is based on the Board of Directors & District Clerk Division of the MHCSD, 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 28 displays the City Council forecast:

CITY COUNCIL

PROPOSED BOUNDARY

Item Detail and Assumptions		Transition 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											
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[1]	62,180										
Growth Rate	2.6%										
Operations & Maintenance		$ 24,300	26,800	29,800	32,700	35,200	37,800	40,300	42,900	45,400	47,900
Trial Balance 21-22	20,668										
Growth Rate	2.6%										
Travel and Membership		$ 9,000	10,000	11,100	12,100	13,100	14,000	15,000	15,900	16,900	17,800
Peer Cities Estimate 21-22	7,675										
Growth Rate	2.6%										
TOTAL		$ 106,500	$ 117,500	$ 130,600	$ 143,200	$ 154,100	$ 165,400	$ 176,500	$ 187,900	$ 198,900	$ 209,700
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

[1] *Peer Cities used for this CFA: Eastvale, Wildomar, Menifee, Lathrop, Yucca Valley, Oakley, & Yucaipa*

Figure 28 – City Council

CITY CLERK

A District Clerk serves the MHCSD Board and sits within the Administration Department. Upon incorporation, the CFA assumes the City will reclassify the current District Clerk position.[42] Projected salaries and benefits for the City Clerk position were determined using FY 2021-22 salary and benefit schedules posted by MHCSD 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 29, 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.

[42] The City Council will appoint the City Clerk.

CITY CLERK

PROPOSED BOUNDARY

Item Detail and Assumptions				Transition 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													
Salaries and Benefits	Salary	BSR[1]	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%												
TOTAL				$ 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
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

[1] *BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.*

Figure 29 – City Clerk

ADMINISTRATION

The Administration Department will oversee building maintenance, rent, office supplies, cost and fee studies, research, and memberships. Administrative functions currently provided by MHCSD 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 MHCSD as a General Manager, and an Office Assistant will also stay in the Administration Department. Additionally, MHCSD 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 61, 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 30.

ADMINISTRATION
PROPOSED BOUNDARY

Item Detail and Assumptions				Transition 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													
Salaries and Benefits[2]	Salary	BSR[1]	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[3]													
+ 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
Operations & Maintenance				$ 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%												
Human Resources Division				$ 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%												
Risk Management Division				$ 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)
TOTAL				$ 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

[1] *BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.*
[2] *Existing Salaries and Benefits projections sourced from Mountain House's 21-22 Budget and the State Controller's Office*
[3] *Future Salaries projections are based on the assumption of new hires as reported to RSG from Mountain House.*

Figure 30 – Administration

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 31 shows the forecast for this Department.

Figure 31 – City Attorney

CITY ATTORNEY
PROPOSED BOUNDARY

Item Detail and Assumptions		Transition 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											
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	-	-	-	-	-	-	-	-	-
TOTAL		$ 294,900	$ 270,000	$ 300,000	$ 329,200	$ 354,100	$ 380,100	$ 405,600	$ 432,000	$ 457,100	$ 481,900
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

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 61.

The forecast for this Department is in Figure 32.

FINANCE

PROPOSED BOUNDARY

Item Detail and Assumptions	Salary	BSR[1]	Δ	Transition 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													
Salaries and Benefits	Salary	BSR[1]	Δ										
Administrative Services Director[2]	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
Future Salaries[3]													
+ 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
Operations & Maintenance				$ 573,800	632,600	703,000	771,400	829,800	890,700	950,500	1,012,200	1,071,100	1,129,300
Trial Balance 21-22	487,498												
Growth Rate	2.6%												
Customer Services Division				$ 80,000	88,200	98,000	107,500	115,700	124,200	132,500	141,100	149,300	157,400
Trial Balance 21-22	67,962												
Growth Rate	2.6%												
Information Technology Division				$ 127,400	140,400	156,100	171,300	184,200	197,700	211,000	224,700	237,800	250,700
Trial Balance 21-22	108,230												
Growth Rate	2.6%												
Transfers Out to Special Tax Fund				$ (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)
TOTAL				$ 665,874	$ 699,435	$ 737,640	$ 775,332	$ 809,784	$ 845,370	$ 881,010	$ 917,622	$ 953,694	$ 989,820
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

[1] *BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.*

[2] *The Administrative Services Director is part of the Finance and Recreation Departments. RSG assumes 50% of time spent in Finance and 50% in Recreation.*

[3] *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 32 – Finance

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 initially have seven 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, tentative maps, and construction drawing review. These services are not currently under the jurisdiction of the MHCSD, but MHCSD partners closely with the County on all development projects. The County will continue to review parcel and subdivision maps. 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. Instead of using inflation and population, a per-permitted unit ratio was used to project the costs forward. This more accurately ties the costs to construction instead of population and inflation.

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. This brings the total in the department to nine. 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 actual title and tasks of the two new employees, and any additional employees hired by the City, may differ from this CFA.

This CFA assumes that building and inspection services currently provided by the County CDD, will transfer to the City. As previously mentioned, the Construction Manager is assumed to become the statutory Building Official for the City. The costs shown in this CFA do not breakdown building costs by labor and overhead, and thus do not make any assumptions about new building and inspection staff. The CFA only assumes that the City will be responsible for the costs of building and inspection services. How the City and County determine the administration of the building and inspection services can be officiated in LAFCO's Terms and Conditions and/or a contract with the County.

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.[43] 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.[44] 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.[45]

[43] Government Code Section 65360
[44] Government Code Section 65631
[45] 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.

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 33 shows the Department forecast.

COMMUNITY DEVELOPMENT
PROPOSED BOUNDARY

Item Detail and Assumptions	Salary	BSR[1]	Δ	Transition 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													
Salaries & Benefits	Salary	BSR[1]	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
Future Salaries													
+ 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[2]	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[2]	91,596	77%	2.6%	$ -	175,200	179,800	184,500	189,400	194,400	199,500	204,700	210,100	215,600
Operations & Maintenance				$ 571,700	630,200	700,300	768,500	826,600	887,400	946,900	1,008,400	1,067,000	1,125,000
Trial Balance 21-22	485,659												
Growth Rate	2.6%												
General Plan, EIR, and Zoning Update[3]				$ -	500,000	500,000	500,000	-	-	-	-	-	-
Consultant Estimate	500,000												
Growth Rate	2.6%												
Additional County Planning & Code Enforcement[4]				$ 397,218	516,895	619,251	560,544	416,711	417,006	377,432	372,116	317,665	288,728
County CDD Estimate	243,291												
Cost Per Permit	787												
Additional County Building Inspection Costs[4]				$ 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
County CDD Estimate	1,236,288												
Cost Per Permit	4,001												
Transfers Out to Special Tax Fund				(51,852)	(59,285)	(68,094)	(77,752)	(86,796)	(94,278)	(102,201)	(109,481)	(116,584)	(123,350)
TOTAL				$ 4,513,737	$ 6,178,524	$ 6,913,891	$ 6,668,307	$ 5,397,138	$ 5,508,053	$ 5,376,258	$ 5,456,949	$ 5,237,800	$ 5,175,054
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

[1] *BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.*
[2] *Assumes the second Associate Planner and Code Enforcement Officer would arrive after the transition year.*
[3] *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.*
[4] *County planning and building costs transferred to the City are projected on a per-issued-permit basis.*

Figure 33 – Community Development

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.[46] 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[47] 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.[48] The CFA calculated plan check service costs from data provided by the County Community Development Department ("CDD"). These CDD plan check costs are assumed

[46] Per discussions with MHCSD staff.
[47] City of Patterson is in Stanislaus County.
[48] MHCSD FY 2021-22 Audited Financials

under the new City's Public Works Department. It should be noted that the County Department of Public Works ("County DPW") provides its own Plan Check services which are assumed to remain with the County. They are not to be confused with CDD plan check services. Corresponding fees for the County DPW services will continue to be collected by the County and are not forecasted in this CFA[49].

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 34 shows the detailed projection of the expenditures for Public Works.

[49] County DPW provides plan check and reviews for many cities in SJ County. DPW assumed in their March 15, 2022 correspondence that they would continue these services.

PUBLIC WORKS

PROPOSED BOUNDARY

Item Detail and Assumptions	Salary	BSR[1]	Δ	Transition 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													
Salaries & Benefits													
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
Future Salaries[2]													
+ 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
Engineering Division				$ 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%												
Regulatory Compliance Division				$ 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%												
Operations & Maintenance Division				$ 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%												
Additional County Plan Check Costs[3]				$ 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%												
Transfers Out to Special Tax Fund				$ (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)
TOTAL				$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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

[1] *BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.*

[2] *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*

[3] *County CDD plan check costs transferred to the City are projected on a per-issued-permit basis. They are not equivalent to County DPW plan check costs.*

Figure 34 – Public Works

ANIMAL CONTROL

MHCSD 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 35 shows the forecast:

ANIMAL CONTROL

PROPOSED BOUNDARY

Item Detail and Assumptions		Transition 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											
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)
TOTAL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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 35 – Animal Control

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 MHCSD. MHCSD 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 "basic unincorporated area level of service". As an unincorporated area, MHCSD 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 MHCSD but will be the responsibility of the City upon incorporation.

The CFA calculated the contracted Law Enforcement expenditures from MHCSD's FY 2021-22 audited financials. Base level services were calculated using calls for service data provided by the Sheriff and applying MHCSD's percentage share of those calls to the total net cost of Sheriff services for the County. MHCSD, 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 Property Tax section on Page 36 explains the calculation in more detail. The Sheriff did not provide actuals showing expenditures made as part of their base level services. Instead, a pro-rated estimate was provided which used the 4.85 percent figure and multiplied it by the total sheriff budget[50]. RSG notes that if the Sheriff or County were to provide a precise figure, the resulting number may materially alter the results of this CFA.

The three service providers for law enforcement in MHCSD complement one another. The Sheriff covers the general policing of the area and acts as the MHCSD's official police department. CHP provides public safety services for traffic and speed management. CHP is responsible for traffic incidents and related matters in all unincorporated areas of the state. In the MHCSD specifically, CHP is responsible for the enforcement of traffic laws based on the California Vehicle Code, the investigation of traffic accidents and vehicle thefts, and the responses to parking and traffic complaints. Rank Investigations provides supplemental private security patrol services. Based on discussions with MHCSD 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 cost and 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 MHCSD 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 MHCSD. Sheriff staffing for base level policing services was not provided, but according to the 2022 MSR for Mountain House, deputies from the Sheriff's patrol known as "Beat 8", which covers the unincorporated areas, provide service to the MHCSD. The MSR indicates that Beat 8 provides one full-time deputy to the western part of the County. Rank Investigations staffs MHCSD with at least one officer for at least 16 hours per day, per the contract.

[50] Data provided March 28, 2023. As mentioned in the Property Tax section, the Sheriff staff estimate was deemed inaccurate by RSG.

In 2021, CHP provided traffic services to the MHCSD 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 $3.2 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 $9.7 million in FY 2033-34, as shown in Figure 36.

LAW ENFORCEMENT
PROPOSED BOUNDARY

Item Detail and Assumptions		Transition 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											
Public Safety Contracts											
County Sheriff CSD Contract[1]		$ 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[2]		$ 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[1]		$ 2,783,800	3,152,500	3,598,400	4,055,900	4,481,400	4,941,200	5,416,100	5,924,800	6,439,500	6,974,100
County Sheriff Estimate	2,241,528										
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)
TOTAL		$ 3,303,868	$ 3,813,820	$ 4,442,796	$ 5,099,422	$ 5,730,030	$ 6,443,850	$ 7,187,565	$ 8,009,201	$ 8,859,346	$ 9,756,880
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

[1] *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)*
[2] *Rank Investigations is a private security contractor utilized by the District for supplemental public safety services*

Figure 36 – Law Enforcement

PARKS AND RECREATION

The MHCSD currently has a Recreation Department which will continue to provide the same services to the City after incorporation. MHCSD 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. MHCSD 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. MHCSD 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 MHCSD.

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 37 shows the growth projections for the Department.

RECREATION

PROPOSED BOUNDARY

Item Detail and Assumptions				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
				12 Month Period Beginning									
Department Expenditures													
Salaries & Benefits	Salary	BSR[1]	Δ										
Administrative Services Director[2]	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[3]													
+ 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%												
Tranfers 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)
TOTAL				$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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

[1] *BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.*

[2] *The Administrative Services Director is part of the Finance and Recreation Departments. RSG assumes 50% of time spent in Finance and 50% in Recreation.*

[3] *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 37 – 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 38 provides a summary of the additional LAFCO Alternative lands serviced by Tracy Rural, pursuant to Government Code Section 56810(d).

Figure 38 – Additional Tracy Rural Lands in LAFCO Alternative

TRA 92001	***TRA 92002***	***TRA 92005***	
-	5	-	Parcels
N/A	10	N/A	Acres
$ -	$ 4,306,218	$ -	Secured & Unsecured Assessed Value
-	**5,547**	**-**	**Property Tax Revenues**

Source: San Joaquin County Auditor Controller, FY 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 39. 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 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[1]		$ 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)
TOTAL		$ 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
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

[1] *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 39 – Fire Protection

LIBRARY SERVICES

Currently, MHCSD 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 MHCSD. Forecasted expenditures start at $188,100 in FY 2024-25, increasing to $370,200 by FY 2033-34, as demonstrated in Figure 40. 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 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)
TOTAL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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 40 – Library

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 41.

Figure 41 – Non-Departmental

NON-DEPARTMENTAL
PROPOSED BOUNDARY

Item Detail and Assumptions		Transition 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											
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%										
TOTAL		$ 11,000	$ 12,100	$ 13,400	$ 14,700	$ 15,900	$ 17,000	$ 18,200	$ 19,300	$ 20,500	$ 21,600
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

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 42 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 $2.4 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 MHCSD are also expected to transfer to the City but are not shown in this table[51].

Figure 42 – General Fund Reserves

Peer Cities - Adopted Reserves	Mountain House	Eastvale	Wildomar	Menifee	Lathrop	Yucca Valley	Oakley	Yucaipa
Fiscal Year Reviewed	2025-26	2021-22	2021-22	2021-22	2021-22	2021-22	2021-22	2021-22
Total Operating Expenditures[1]	$ 14,812,379	$ 29,655,494	$ 15,620,100	$ 74,835,100	$ 26,772,978	$ 14,547,527	$ 27,953,559	$ 29,823,916
Total Reserves[2,3,4]	$ 2,455,000	$ 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%
Average Percentage of Operating Revenue	56%							

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

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

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

4 Mountain House Reserves consist only of the sum of 2 years of 10% contingency

SUBSIDIARY DISTRICT

As part of the incorporation application, the MHCSD 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 the MHCSD and the 2021-22 Audited Financials. The budget also includes the Subsidiary District's share of annual audit costs.

As described on page 33, the property tax exchange between the MHCSD and the new City would retain for the Subsidiary District a 0.95 percent share of the total 15.95 percent levy the MHCSD currently receives. As currently projected the Subsidiary District would need approximately $403,400

[51] MHCSD as of June 30, 2022, possesses $26.3 million in unassigned fund balance (ACFR FY 2021-22)

in the transition year of FY 2024-25. By the end of the forecast the Subsidiary District costs rise to $527,700. The Subsidiary District cost detail forecast can be found in Appendix 5.

Figure 43 following this section, demonstrates that the Subsidiary District share of 0.95 percent can cover the costs of the district for the length of the forecast. By the end of the forecast, the district will have reserves of over $1.8 million, inclusive of $316,669 in reserves to be retained from existing MHCSD reserves.

Figure 43 – Subsidiary District Total Forecast

CC&R FUND/SUBSIDIARY DISTRICT
PROPOSED BOUNDARY

SUBSIDIARY DISTRICT	Transition 7/1/24	Annual CC&R Fund/Subsidiary District Operating Budget 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	$ -	57,000	118,407	197,451	303,059	439,321	606,554	800,981	1,020,994	1,265,676
Revenues by Source										
Property Tax Assessment Share[1]	460,400	481,500	511,400	550,200	593,000	636,200	675,700	713,600	750,800	785,500
Interest Earnings	-	407	845	1,408	2,162	3,133	4,326	5,713	7,282	9,027
Total Subsidiary District Revenues	460,400	481,907	512,245	551,608	595,162	639,333	680,026	719,313	758,082	794,527
Expenditures by Department										
CC&R Enforcement[2]	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 Subsidiary District Expenditures	403,400	420,500	433,200	446,000	458,900	472,100	485,600	499,300	513,400	527,700
Net Revenue / (Deficit)	57,000	61,407	79,045	105,608	136,262	167,233	194,426	220,013	244,682	266,827
Ending Subsidiary District Fund Balance	57,000	118,407	197,451	303,059	439,321	606,554	800,981	1,020,994	1,265,676	1,532,503
+Reserves held for MHCSD[3]	*316,669*									
Fund Balance w/ Reserves	373,669	435,076	514,120	619,728	755,990	923,223	1,117,650	1,337,663	1,582,345	1,849,172

[1] *The Property Tax Share (1.011%) allocated to the Subsidiary District is derived from the expected costs of CC&R enforcement.*

[2] *CC&R enforcement costs are the sum of Mountain House CSD's current code enforcement costs.*

[3] *Reserves to be held are calculated at a ratio of 78.5% of expenditures based on proponent's feasibility study by Berkson Associates*

IMPACTS ON EXISTING AGENCIES

Incorporation would result in impacts on existing agencies as described in this CFA because of the transfer of service responsibilities to the new City and the associated costs and revenues thereof. The fiscal impacts would vary by agency, as explained below:

MHCSD IMPACTS

After incorporation, MHCSD would be reorganized as a subsidiary district of the new City for the purpose of enforcing CC&Rs in the new City. All remaining services presently provided by MHCSD would be the responsibility of the new City.

The corresponding amount of revenues needed for the subsidiary district's enforcement of CC&Rs would come from property taxes retained by MHCSD as explained in the Property Tax section of this CFA beginning on Page 36. In terms of organizational structure, the subsidiary district would be a separate legal entity from the City. Incorporation would result in a major reduction of services provided by the MHCSD that is offset by those services transferring to the City.

COUNTY IMPACTS

Upon incorporation, the County will transition municipal services and corresponding revenues to the new City. Among the service responsibilities being transferred to the City are base-level law enforcement services provided by the Sheriff, Community Development consultant costs, planning services, building services, and plan check services. Revenues to be shifted to the new City include property taxes, sales taxes, property transfer taxes, fines and forfeitures, and various fees and charges for services. More on how costs and revenues were calculated is located above in the Property Tax section on Page 36.

Figure 44 following this section, shows the corresponding cost reduction in County administered services totals approximately $3.9 million. Revenue reduction to the County totals an almost equal $3.9 million. As a result, incorporation would have a minor favorable impact on the County because the amount of expenditures reduced exceeds the reduction in revenues. This provides the County with approximately $41,000 in cost savings annually.

Figure 44 – Fiscal Impact on County

PROPOSED BOUNDARY

Fiscal Impact of Incorporation on County of San Joaquin

Revenue Reduction		
Property Tax	$ 1,930,600	
Sales Tax (Including In-Lieu)	174,200	
Property Transfer Tax	611,400	
Community Development Fees	1,176,858	
Law Enforcement Fees	27,234	
Fines & Forfeitures (Cost Offset)	-	
Franchise Fees	-	
Total Revenue Loss to County		$(3,920,292)
Expenditure Reduction		
Sheriff - Base Unincorporated Services	$ 2,241,528	
Sheriff - Animal Control	74,876	
Community Development Consultant	200,000	
Planning	43,291	
Building Inspection	1,236,288	
Plan Check (CDD)	151,284	
Total Expenditure Reduction		$ 3,947,268
County Property Tax Admin. Fee of 0.73%		14,000
Net Revenue Impact to County - Positive/(Negative)		40,975

TRACY RURAL FIRE PROTECTION DISTRICT IMPACTS

Within its current boundaries, MHCSD provides fire protection services through a contract with the French Camp McKinley, while areas outside the MHCSD boundaries are serviced by Tracy Rural. These properties outside of the MHCSD boundary but within the Proposed Boundary will be detached from Tracy Rural and brought into the new City upon incorporation. Costs and revenues for providing service to these properties will be transitioned to the new City during the transition year.

As shown in Figure 45, annual cost reductions to Tracy Rural for detaching serviced properties in the Proposed Boundary are approximately $2,300, while annual property tax revenue losses will be approximately $9,600. This means that Tracy Rural would experience an estimated negative impact of $7,200.

Figure 45 – Fiscal Impact on Tracy Rural

PROPOSED BOUNDARY

Fiscal Impact of Incorporation on Tracy Rural

Revenue Reduction			
Property Taxes	9,600		
Total Revenue Loss to Tracy Rural FPD		$	(9,600)
Expense Reduction			
Net Cost of Calls for Service	2,308		
Total Expenditure Reduction		$	2,308
County Property Tax Admin. Fee of 0.73%			100
Net Revenue Impact to Tracy Rural - Positive/(Negative)			(7,192)

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, an arrangement of this type may be limited in scope or unnecessary altogether. 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.

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 MHCSD 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, only one agency would suffer a negative fiscal impact. Specifically, 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 $7,200 as shown previously in Figure 45. The County would not experience a negative fiscal impact because the CFA estimates that incorporation would result in a greater reduction in service costs than a loss in revenues by approximately $41,000.

Offsetting Capital Improvement Assistance from MHCSD 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 MHCSD 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 MHCSD such that there may be no revenue neutrality payments to Tracy Rural.

PROVISIONAL APPROPRIATIONS LIMIT

Figure 46 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 $31,765,559 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 46 – Appropriations Limit

PROPOSED BOUNDARY

2025-26 Estimates	
Proceeds of Taxes to City	
Property Taxes	$ 9,619,000
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	29,124,689
Interest Earnings	26,600
Total	29,151,289
Cost of Living Factor[1]	2.63%
Population Growth[2]	6.18%
2025-26 Provisional Limit	$ 31,765,559

[1] Consumer Price Index December 2013 to December 2022

[2] RSG Projected Population Growth 2022-2033

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.

MHCSD Proposed Boundary

After assessing the MHCSD'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 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 amount of property taxes will be retained by 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 MHCSD'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 $2.6 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 $1.6 million in FY 2029-30. The City ends the 10-year forecast of this scenario with a $14.7 million fund balance.

Alternative 2: LAFCO Alternative Boundary, Normal Growth

The net revenue for the City in this scenario is $1.9 million in the transition year or FY 2024-25. This shrinks in the following year down to $802,000 in FY 2025-26. The next 8 years see net revenues fluctuating reaching as low as $549,000 in FY 2027-28 to as large as $1.3 million in FY 2029-30. The City ends the 10-year forecast of this scenario with a $9.2 million fund balance.

Alternative 3: Lower Growth LAFCO Alternative Boundary

The net revenue for the City in this scenario is $2.6 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 $1.7 million in FY 2029-30. The City ends the 10-year forecast of this scenario with a $14.8 million fund balance.

GENERAL FUND SUMMARY
PROPOSED BOUNDARY

General Fund	Transition 7/1/24	Annual City General Fund Operating Budget 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	$ -	1,864,497	2,638,277	3,182,469	3,688,889	4,793,269	6,012,170	7,090,609	8,091,708	8,789,842
Revenues by Source										
Property Taxes[1]	9,196,500	9,619,000	10,215,700	10,991,300	11,845,900	12,708,300	13,497,500	14,255,500	14,998,900	15,690,900
Sales Taxes	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	-	26,600	37,600	45,400	52,600	68,400	85,800	101,100	115,400	125,400
Total General Fund Revenue	14,054,547	15,593,351	17,209,383	17,957,153	18,138,053	19,484,603	20,332,003	21,589,303	22,315,974	23,064,509
Expenditures by Department										
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	6,668,307	5,397,138	5,508,053	5,376,258	5,456,949	5,237,800	5,175,054
Public Works	-	-	-	-	-	-	-	-	-	-
Animal Control	-	-	-	-	-	-	-	-	-	-
Law Enforcement	3,303,868	3,813,820	4,442,796	5,099,422	5,730,030	6,443,850	7,187,565	8,009,201	8,859,346	9,756,880
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)[3]	1,108,000	1,347,000	1,514,000	1,586,000	1,548,000	1,660,000	1,750,000	1,871,000	1,965,000	2,079,000
Total General Fund Expenditures	12,190,050	14,812,379	16,657,998	17,443,541	17,026,481	18,258,511	19,246,372	20,581,012	21,610,648	22,866,157
Net Revenue / (Deficit) BEFORE Rev Neutrality	1,864,497	780,972	551,385	513,612	1,111,572	1,226,093	1,085,631	1,008,291	705,326	198,352
Tracy Rural Revenue Neutrality Payment	-	7,192	7,192	7,192	7,192	7,192	7,192	7,192	7,192	7,192
County Revenue Neutrality Payment[4]	-	-	-	-	-	-	-	-	-	-
Total General Fund Expenditures	12,190,050	14,819,571	16,665,190	17,450,733	17,033,673	18,265,703	19,253,564	20,588,204	21,617,840	22,873,349
Net Revenue / (Deficit) AFTER Rev Neutrality	1,864,497	773,780	544,192	506,420	1,104,380	1,218,900	1,078,439	1,001,099	698,134	191,160
Fund Balance	**1,864,497**	**2,638,277**	**3,182,469**	**3,688,889**	**4,793,269**	**6,012,170**	**7,090,609**	**8,091,708**	**8,789,842**	**8,981,001**
+ Reserves from MHCSD[5]	*25,955,383*									
Fund Balance w/ MHCSD Reserves	27,819,880	28,593,660	29,137,852	29,644,272	30,748,652	31,967,553	33,045,992	34,047,091	34,745,225	34,936,384

[1] Taxes levied from property assessments are projected in the transition year based on the incorporation application's proposal for reorganization of the CSD.
[2] Special Taxes include 4 ordinances for Roads, Public Safety, Parks & Recreation, and Public Works.
[3] Contigency at 10% is consistent with the Governor's Office of Planning and Research Guidelines for Incorporation.
[4] 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.
[5] MHCSD Reserves defined as unassigned General Fund Balance on June 30, 2022 less reserves set aside for Subsidiary District

APPENDIX 2 - ROAD FUND

ROAD FUND REVENUE DETAILS

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.

Gas Tax Funds

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. 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 (2006)

In 2006, San Joaquin County voters passed Measure K, a 1/2 cent sales tax measure by the San Joaquin County Transportation Authority. Applicable to both incorporated and unincorporated territory, Measure K funds are designated for construction and improvement of state highways, the construction, maintenance, improvement, and operation of local streets, roads and highways, and the construction, improvement, and operation of public transit systems.

Cities, including those incorporated after the Measure passed, receive a portion of the Measure K funds based on a formula. As a condition of receiving these Measure K funds, cities must, among other requirements, have adopted a local and regional transportation fee program (Section 6.01 of the Measure), and demonstrate a minimum level of local expenditures (“maintenance of effort”) (Section 5.02 of the Measure). For new cities, the maintenance of effort requirement commences after three years following incorporation (Section 5.02.02 of the Measure). Thereafter, the city must continue to spend a portion of its unrestricted general fund revenues (including, fines and forfeitures) in an amount not less than the average amount of such expenditures in the prior three years.

RSG has presumed for the purposes of this forecast the new City would comply with Measure K requirements.

ROAD FUND SUMMARY
PROPOSED BOUNDARY

Road Fund	Transition 7/1/24	Annual City Road Fund Operating Budget 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	$ -	0	0	0	0	0	0	0	0	0
Revenues by Source										
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	618,415	679,455	751,967	812,652	878,234	949,109	1,025,704	1,108,481	1,197,937	1,294,613
Interest Earnings	-	-	-	-	-	-	-	-	-	-
Total Road Fund Revenues	1,220,115	1,325,255	1,450,667	1,559,252	1,660,534	1,767,009	1,875,894	1,990,481	2,107,137	2,228,413
Expenditures by Department										
Road Maintenance	1,220,115	1,325,255	1,450,667	1,559,252	1,660,534	1,767,009	1,875,894	1,990,481	2,107,137	2,228,413
Total Road Fund Expenditures	1,220,115	1,325,255	1,450,667	1,559,252	1,660,534	1,767,009	1,875,894	1,990,481	2,107,137	2,228,413
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

LANDSCAPE & LIGHTING MAINTENANCE DISTRICTS 1-3

PROPOSED BOUNDARY

Annual Landscape & Lighting Maintenance Fund(s) Operating Budget

LLMD FUNDS	**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
Beginning Fund Balance	$ -	0	0	0	0	0	0	0	0	0
Revenues by Source										
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	-	-	-	-	-	-	-	-	-	-
Total	427,841	427,841	427,841	427,841	427,841	427,841	427,841	427,841	427,841	427,841
Expenditures by Department										
LLMD Expenditures	427,841	427,841	427,841	427,841	427,841	427,841	427,841	427,841	427,841	427,841
Total	427,841	427,841	427,841	427,841	427,841	427,841	427,841	427,841	427,841	427,841
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

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. Presumably, the City will initially 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.

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

Affordable Housing Fund	Transition 7/1/24	Annual Affordable Housing Fund Budget 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	$ 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[1]	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

[1] *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.*

SUBSIDIARY DISTRICT CC&R FUND

PROPOSED BOUNDARY

Item Detail and Assumptions	Salary	BSR[1]	Δ	Transition 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													
Senior Code Enforcement Officer	117,492	73%	2.6%	$ 214,200	219,900	225,700	231,600	237,700	243,900	250,400	256,900	263,700	270,600
Code Enforcement Officer	91,596	77%	2.6%	$ 170,700	175,200	179,800	184,500	189,400	194,400	199,500	204,700	210,100	215,600
Code Enforcement of CC&R's				$ 18,500	20,400	22,700	24,900	26,800	28,800	30,700	32,700	34,600	36,500
Trial Balance 21-22	15,738												
Growth Rate	2.6%												
TOTAL				$ 403,400	$ 415,500	$ 428,200	$ 441,000	$ 453,900	$ 467,100	$ 480,600	$ 494,300	$ 508,400	$ 522,700
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

[1] *BSR is the benefits-salary ratio, reflecting the additional cost of personnel benefits for that position as a percentage of salary.*

GENERAL FUND SUMMARY
LAFCO ALTERNATIVE BOUNDARY

General Fund	Transition 7/1/24	Annual City General Fund Operating Budget 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	$ -	1,882,129	2,672,420	3,235,686	3,772,252	4,898,558	6,139,595	7,239,902	8,262,661	8,984,367
Revenues by Source										
Property Taxes[1]	9,211,800	9,634,600	10,231,900	11,008,300	11,863,700	12,727,200	13,517,000	14,275,600	15,019,900	15,712,500
Sales Taxes	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	-	26,800	38,100	46,200	53,800	69,900	87,600	103,300	117,900	128,200
Total General Fund Revenue	14,070,747	15,610,031	17,227,043	17,983,953	18,158,053	19,506,003	20,354,403	21,612,703	22,340,574	23,090,109
Expenditures by Department										
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	6,668,557	5,397,491	5,508,301	5,376,608	5,457,295	5,238,144	5,175,395
Public Works	-	-	-	-	-	-	-	-	-	-
Animal Control	-	-	-	-	-	-	-	-	-	-
Law Enforcement	3,303,575	3,812,350	4,440,149	5,096,247	5,727,726	6,442,166	7,186,702	8,008,557	8,859,020	9,756,622
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
Contingency (10% of Dept. Expenditures)[3]	1,108,000	1,346,000	1,514,000	1,585,000	1,547,000	1,659,000	1,749,000	1,871,000	1,964,000	2,078,000
Total General Fund Expenditures	12,188,618	14,807,290	16,651,326	17,434,938	17,019,297	18,252,516	19,241,646	20,577,494	21,606,418	22,862,061
Net Revenue / (Deficit) BEFORE Rev Neutrality	1,882,129	802,740	575,717	549,015	1,138,757	1,253,487	1,112,757	1,035,209	734,156	228,048
Tracy Rural Revenue Neutrality Payment	-	12,450	12,450	12,450	12,450	12,450	12,450	12,450	12,450	12,450
County Revenue Neutrality Payment[4]	-	-	-	-	-	-	-	-	-	-
Total General Fund Expenditures	12,188,618	14,819,740	16,663,776	17,447,388	17,031,747	18,264,966	19,254,096	20,589,944	21,618,868	22,874,511
Net Revenue / (Deficit) AFTER Rev Neutrality	1,882,129	790,290	563,267	536,565	1,126,307	1,241,037	1,100,307	1,022,759	721,706	215,598
Fund Balance	**1,882,129**	**2,672,420**	**3,235,686**	**3,772,252**	**4,898,558**	**6,139,595**	**7,239,902**	**8,262,661**	**8,984,367**	**9,199,965**
+ Reserves from MHCSD[5]	*25,955,383*									
Fund Balance w/ MHCSD Reserves	27,837,512	28,627,803	29,191,069	29,727,635	30,853,941	32,094,978	33,195,285	34,218,044	34,939,750	35,155,348

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[4] 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.
[5] MHCSD Reserves defined as unassigned General Fund Balance on June 30, 2022 less reserves set aside for Subsidiary District

GENERAL FUND SUMMARY
PROPOSED - LOW GROWTH

General Fund	Transition 7/1/24	Annual City General Fund Operating Budget 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	$ -	2,562,175	4,102,591	5,396,966	6,577,015	8,213,779	9,855,712	11,378,151	12,805,049	13,972,256
Revenues by Source										
Property Taxes[1]	9,093,900	9,387,600	9,785,900	10,343,300	11,028,100	11,799,900	12,601,900	13,397,500	14,160,600	14,857,800
Sales Taxes	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	-	36,500	58,500	77,000	93,800	117,200	140,600	162,300	182,700	199,300
Total General Fund Revenue	12,549,665	13,801,217	15,445,978	16,561,613	17,799,322	18,829,275	19,765,883	20,500,663	21,155,932	21,865,242
Expenditures by Department										
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	6,149,697	5,967,839	5,923,102	5,857,488	5,550,731	5,300,349	5,209,594
Public Works	-	-	-	-	-	-	-	-	-	-
Animal Control	-	-	-	-	-	-	-	-	-	-
Law Enforcement	3,173,510	3,589,580	4,124,699	4,722,300	5,385,271	6,114,645	6,891,305	7,704,018	8,541,917	9,424,136
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)[3]	908,000	1,114,000	1,286,000	1,398,000	1,469,000	1,562,000	1,658,000	1,733,000	1,816,000	1,920,000
Total General Fund Expenditures	9,987,490	12,253,040	14,143,841	15,373,803	16,154,797	17,179,581	18,235,683	19,066,004	19,980,964	21,122,707
Net Revenue / (Deficit) BEFORE Rev Neutrality	2,562,175	1,548,177	1,302,137	1,187,810	1,644,525	1,649,694	1,530,200	1,434,659	1,174,968	742,535
Tracy Rural Revenue Neutrality Payment	-	7,761	7,761	7,761	7,761	7,761	7,761	7,761	7,761	7,761
County Revenue Neutrality Payment[4]	-	-	-	-	-	-	-	-	-	-
Total General Fund Expenditures	9,987,490	12,260,801	14,151,602	15,381,564	16,162,558	17,187,342	18,243,444	19,073,765	19,988,725	21,130,468
Net Revenue / (Deficit) AFTER Rev Neutrality	2,562,175	1,540,416	1,294,376	1,180,049	1,636,764	1,641,933	1,522,439	1,426,898	1,167,206	734,774
Fund Balance	**2,562,175**	**4,102,591**	**5,396,966**	**6,577,015**	**8,213,779**	**9,855,712**	**11,378,151**	**12,805,049**	**13,972,256**	**14,707,030**
+ Reserves from MHCSD[5]	*25,956,090*									
Fund Balance w/ MHCSD Reserves	28,518,264	30,058,680	31,353,056	32,533,104	34,169,869	35,811,801	37,334,241	38,761,139	39,928,345	40,663,119

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[4] 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.
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GENERAL FUND SUMMARY
LAFCO ALTERNATIVE - LOW GROWTH

General Fund	Transition 7/1/24	Annual City General Fund Operating Budget 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	$ -	2,574,736	4,119,954	5,420,361	6,607,945	8,253,203	9,907,717	11,444,701	12,890,225	14,077,976
Revenues by Source										
Property Taxes[1]	9,109,000	9,403,100	9,801,900	10,360,000	11,045,400	11,817,800	12,620,600	13,417,200	14,181,000	14,878,900
Sales Taxes	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	-	36,700	58,800	77,300	94,300	117,700	141,300	163,300	183,900	200,800
Total General Fund Revenue	12,565,665	13,818,117	15,464,378	16,581,613	17,820,422	18,854,575	19,793,483	20,533,463	21,191,232	21,901,842
Expenditures by Department										
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	6,149,949	5,968,089	5,923,451	5,857,834	5,550,976	5,300,693	5,209,937
Public Works	-	-	-	-	-	-	-	-	-	-
Animal Control	-	-	-	-	-	-	-	-	-	-
Law Enforcement	3,175,568	3,591,760	4,127,102	4,724,925	5,387,818	6,117,412	6,894,392	7,707,174	8,545,541	9,427,778
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
Contingency (10% of Dept. Expenditures)[3]	908,000	1,114,000	1,286,000	1,398,000	1,469,000	1,562,000	1,658,000	1,734,000	1,817,000	1,921,000
Total General Fund Expenditures	9,990,929	12,256,699	14,147,771	15,377,829	16,158,963	17,183,862	18,240,299	19,071,738	19,987,281	21,128,959
Net Revenue / (Deficit) BEFORE Rev Neutrality	2,574,736	1,561,419	1,316,607	1,203,784	1,661,459	1,670,713	1,553,184	1,461,725	1,203,951	772,883
Tracy Rural Revenue Neutrality Payment	-	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200
County Revenue Neutrality Payment[4]	-	-	-	-	-	-	-	-	-	-
Total General Fund Expenditures	9,990,929	12,272,899	14,163,971	15,394,029	16,175,163	17,200,062	18,256,499	19,087,938	20,003,481	21,145,159
Net Revenue / (Deficit) AFTER Rev Neutrality	2,574,736	1,545,219	1,300,407	1,187,584	1,645,259	1,654,513	1,536,984	1,445,525	1,187,751	756,683
Fund Balance	**2,574,736**	**4,119,954**	**5,420,361**	**6,607,945**	**8,253,203**	**9,907,717**	**11,444,701**	**12,890,225**	**14,077,976**	**14,834,659**
+ Reserves from MHCSD[5]	*25,956,090*									
Fund Balance w/ MHCSD Reserves	28,530,825	30,076,044	31,376,450	32,564,034	34,209,293	35,863,806	37,400,790	38,846,315	40,034,065	40,790,749

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SPECIAL TAX FUND(S) SUMMARY
PROPOSED BOUNDARY

Special Taxes	Transition 7/1/24	Annual Special Tax Fund(s) Operating Budgets 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
Special Tax No. 1, Roads, (Ord. 96-1)										
Beginning Fund Balance	$ -	2,107,472	4,771,370	8,100,291	12,181,786	16,976,468	22,322,911	28,265,780	34,735,870	41,720,467
Total Special Tax Fund Revenues	9,434,063	10,318,968	11,351,296	12,356,141	13,191,942	13,968,637	14,739,230	15,467,450	16,122,509	16,742,595
Community Development	(51,852)	(59,285)	(68,094)	(77,752)	(86,796)	(94,278)	(102,201)	(109,481)	(116,584)	(123,350)
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)	(778,848)	(854,566)	(932,791)	(1,005,106)	(1,077,619)	(1,139,363)	(1,194,587)
Total Specail Tax Fund Expenditures	(7,326,592)	(7,655,070)	(8,022,375)	(8,274,646)	(8,397,260)	(8,622,194)	(8,796,361)	(8,997,360)	(9,137,913)	(9,276,613)
Net Revenue / (Deficit)	2,107,472	2,663,898	3,328,921	4,081,495	4,794,682	5,346,443	5,942,870	6,470,090	6,984,596	7,465,982
Ending Fund Balance	2,107,472	4,771,370	8,100,291	12,181,786	16,976,468	22,322,911	28,265,780	34,735,870	41,720,467	49,186,448
Special Tax No. 2, Public Safety, (Ord. 96-2)										
Beginning Fund Balance	$ -	-	-	-	-	-	-	-	-	-
Total Revenues	4,893,764	5,394,361	5,975,408	6,548,256	7,040,440	7,507,401	7,976,070	8,427,898	8,847,009	9,252,640
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)
Total Expenditures	(4,893,764)	(5,394,361)	(5,975,408)	(6,548,256)	(7,040,440)	(7,507,401)	(7,976,070)	(8,427,898)	(8,847,009)	(9,252,640)
Net Revenue / (Deficit)	-	-	-	-	-	-	-	-	-	-
Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Special Tax No. 3, Parks, (Ord. 96-3)										
Beginning Fund Balance	$ -	-	-	-	-	-	-	-	-	-
Total Revenues	990,141	1,156,825	1,345,792	1,543,297	1,736,898	1,934,758	2,141,084	2,352,780	2,566,897	2,786,207
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)
Total Expenditures	(990,141)	(1,156,825)	(1,345,792)	(1,543,297)	(1,736,898)	(1,934,758)	(2,141,084)	(2,352,780)	(2,566,897)	(2,786,207)
Net Revenue / (Deficit)	-	-	-	-	-	-	-	-	-	-
Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Special Tax No. 4, Public Works, (Ord. 96-4)										
Beginnning Fund Balance	$ -	-	-	-	-	-	-	-	-	-
Total Revenues	1,032,827	1,203,436	1,397,008	1,598,924	1,796,040	1,997,060	2,206,473	2,420,988	2,637,513	2,859,011
Total Expenditures (Public Works)	(1,032,827)	(1,203,436)	(1,397,008)	(1,598,924)	(1,796,040)	(1,997,060)	(2,206,473)	(2,420,988)	(2,637,513)	(2,859,011)
Net Revenue / (Deficit)	-	-	-	-	-	-	-	-	-	-
Ending Fund Balance	-	-	-	-	-	-	-	-	-	-

APPENDIX 10 - SAN JOAQUIN COUNTY AUDITOR RESPONSE(S) TO RFI (MARCH AND JULY 2023)

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 Rolleri-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.

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-REDEVLMNT 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		
Grand Total		**206,778,398.36**	**1,152,812.03**	**9,816,310.36**	**6,884,364.88**	**6,922,917.32**

		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

Average City of Tracy Fine/Fee Revenue for Past Three Fiscal Years	$ 82,903.66

Estimate by Population			
	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		**$ 16,398.01**	**$ 16,547.58**

Estimate by Square Mileage			
	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		**$16,446.01**	**$17,030.65**

County of San Joaquin
AUDITOR RATIO CALCULATION
Based on FY 21/22 Actuals
(per Govt Code sec. 56810)

				RATIO
	Property Tax	=	**201,948,237.41**	= **55.9%**
	General Purpose Revenue		**361,092,583.94**	

		General Purpose Revenue	Property Tax
REVENUES-GENERAL			
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-REDEVLMNT 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	
Totals		361,092,583.94	201,948,237.41

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 Rolleri-Payroll
Stanley Lawrence-Property Tax

July 5, 2023

Via Electronic Mail

Wesley Smith, Senior Analyst
RSG
17872 Gillette Avenue, Suite 350
Irvine, CA 92614

RE: Request for Auditor's Ratio Report for Mountain House Community Services District Incorporation

Dear Mr. Smith,

This letter is in response to your June 29, 2023 request for a Section 56810(c) determination of the proportion of property tax revenue pertaining to Mountain House Community Services District for fiscal year 2021-22, also known as the "Auditor's Ratio".

Per the attached Auditor's Ratio Report, the ratio calculated with respect to the Mountain House Community Services District for the fiscal year 2021-22 was 92.9%.

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

Attachment: Auditor Ratio Calculation

Mountain House Community Service District
AUDITOR RATIO CALCULATION
Based on FY 21/22 Actuals
(per Govt Code sec. 56810)

					RATIO
	Property Tax	=	**6,926,727.00**	=	**92.9%**
	General Purpose Revenue		**7,453,773.00**		

		General Purpose Revenue	Property Tax
REVENUES-GENERAL			
	PROPERTY TAXES	$ 6,926,727	$ 6,926,727
	LICENSES AND PERMITS	6,925	
	FRANCHISE FEES	1,145,319	
	INVESTMENT EARNINGS (LOSSES)	(636,566)	
	OTHER REVENUES	11,368	
Totals		$ 7,453,773	$ 6,926,727

APPENDIX 11 – POLICE PROTECTION SERVICES AGREEMENT & 2017 BUDGET MEMO

INCLUDED AS ATTACHMENT TO THIS CFA

AGREEMENT A-04-432

POLICE PROTECTION SERVICES JUN 15 2004

PARTIES: MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Attention: General Manager
11 South San Joaquin Street, 7th Floor
Stockton, CA 95202

COUNTY OF SAN JOAQUIN
Attention: County Administrator
Courthouse – Room 707
Stockton, CA 95202

RECITALS:

A) 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 county-wide basis.

B) The Mountain House Master Plan provides that the need for enhanced police services begins at the time the community begins to develop.

C) The parties desire to contract for police protection services consistent with the Mountain House Master Plan.

The parties agree as follows:

1. The County shall provide through the Sheriff's Office 24 hour per day police protection at the unincorporated area level of service provided in comparable areas throughout the County, plus the addition of two deputies to be assigned to patrol and provide police protection services exclusively within the Mountain House Community Services District. The Community Services District hereby designates the County's Sheriff's Office as its police agency.

2. The County's source of revenue for the basic unincorporated area level of service will be the existing sources of revenue for unincorporated area police protection. The revenue source for the additional two deputies identified in Section 1 above will be provided directly by the Mountain House Community Services District.

3. The parties shall begin preparation of the Police Protection Plan no later than the beginning of the 2004-05 fiscal year to identify the need and timing for police protection services beyond that specified in

Section 1 of this agreement. A Police Protection Plan shall be completed for MHCSD Board, Board of Supervisors, and the Sheriff's Department's consideration by January 1, 2005.

4. Beginning July 1, 2004, the Mountain House Community Services District will pay the County of San Joaquin Sheriff's Office $21,286.00 per month for the additional two deputies identified in section 1 above until the adoption of the Police Protection Plan and a new contract for services based upon the Police Protection Plan. Charges for services provided for in this agreement will be invoiced on a quarterly basis and payment must be received within 30 days of invoice date. If a new agreement based on the Police Protection Plan is not adopted by the MHCSD Board by June 30, 2005, the parties agree to renegotiate startup costs as identified in Exhibit A.

5. Potential cost increases during the duration of this agreement may be necessary and are identified in Exhibit A to this agreement.

6. Changes or modifications to this agreement can only be executed in writing between both parties.

7. This agreement may be terminated by either the MHCSD Board or the Board of Supervisors upon recommendation from the Sheriffs Office.

The contract is entered into as of the date first written above.

COUNTY OF SAN JOAQUIN:

By: _____
LEROY ORNELLAS
Chairman of the Board
of Supervisors

MOUNTAIN HOUSE
COMMUNITY SERVICES
DISTRICT:

By: _____
PAUL M. SENSIBAUGH
General Manager

APPROVED AS TO FORM:

By: _____
MICHAEL F. McGREW
Special Counsel

RECOMMENDED FOR
APPROVAL:

SAN JOAQUIN COUNTY
SHERIFF'S DEPARTMENT

By: _____
BAXTER DUNN
Sheriff

ATTEST: LOIS M. SAHYOUN
Clerk of the Board of Supervisors
of the County of San Joaquin, and
Secretary of the Board of Directors
of the Mountain House Community
Services District

By: _____
Deputy Clerk

APPROVED AS TO FORM:

By: _____
David Wooten
Assistant County Counsel

SAN JOAQUIN COUNTY SHERIFF'S DEPARTMENT
MOUNTAIN HOUSE COST ESTIMATE FY 2004-05
NEW POSITIONS EFFECTIVE JULY 1, 2004
DEPLOYMENT EFFECTIVE JANUARY 1, 2005

	Hourly Rate	# Hours	# Positions	Total
Start-up Costs*				
July 1, 2004 - December 31, 2004				
24 weeks salary/benefits for new hire	48.51	960	2	93,139
24 weeks salary/benefits for FTO amortized over 15 yrs	50.78	960	2	6,500
Fixed Asset Purchase				
Patrol vehicle incl. mobile data computer and mobile radio			1	38,366
Portable radio			2	6,213
Subtotal				144,218
Regular Staffing Costs				
January 1, 2005 - June 30, 2005				
Deputy Sheriff II	51.95	886.5	2	92,107
Overtime for 2080 hours coverage	62.25	153.5	2	19,111
Subtotal				111,218
TOTAL ESTIMATE				**$ 255,436**

*Startup Costs include fixed asset purchases not covered in the hourly billing rate. Equipment and safety gear under $1,000 are covered under the regular billing rate.

Overtime will be billed at a rate of $62.25 per hour subject to increase in September 2004 retroactive to July 1, 2004

Regular Hourly Rate will increase in September 2004 retroactive to July 1, 2004 based on rates published by the County Auditor-Controller

Actual charges depending upon hours worked will be invoiced on a quarterly basis
Currently estimated at $21,286/month or $63,859 per quarter

EXHIBIT A

AGREEMENT

A-96-688

INTERIM POLICE PROTECTION SERVICES

- - - - -

SEP 10 1996

DATE:

PARTIES:

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Attention: General Manager
Courthouse - 6th Floor
Stockton, CA. 95202

COUNTY OF SAN JOAQUIN
Attention: County Administrator
Courthouse - Room 707
Stockton, CA. 95202

RECITALS:

A) 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 county-wide basis.

B) The Mountain House Master Plan provides that the need for enhanced police services begins at the time the community begins to develop.

C) The parties desire to contract for the current County unincorporated area level of police protection services, which is currently estimated at .7 officers per 1,000 population.

The parties agree as follows:

1. The County shall provide through the Sheriff's Office police protection at the unincorporated area level of service provided throughout the County. The Community Services District hereby designated the County's Sheriff's Office as its police agency.

2. The County's source of revenue for these services will be the existing sources

of revenue for unincorporated area police protection.

3. The parties shall begin negotiations for enhanced police protection services no later than the issuance of the first residential building permit within the boundaries of the Mountain House Community Services District.

The contract is entered into as of the date first written above.

ATTEST: LOIS M. SAHYOUN
Clerk of the Board of Supervisors of the County of San Joaquin, State of California

By MARY ANNE CHIU
Deputy Clerk

(SEAL)

COUNTY OF SAN JOAQUIN, a political subdivision of the State of California

By ROBERT J. CABRAL
ROBERT J. CABRAL, Chairman
Board of Supervisors

RECOMMENDED FOR APPROVAL:
BAXTER DUNN, Sheriff

By _____

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT

By ROBERT J. CABRAL
ROBERT J. CABRAL, Chairman
Board of Supervisors

APPROVED AS TO FORM:
TERRENCE R. DERMODY
County Counsel

By _____
MICHAEL McGREW
Assistant County Counsel

OFFICE OF
SHERIFF-CORONER
COUNTY OF SAN JOAQUIN
7000 Michael N. Canlis Blvd.
French Camp, California 95231-9781

June 29, 2017

Patrick Withrow
Sheriff-Coroner
Public Administrator

Board of Supervisors
County of San Joaquin
44 N. San Joaquin Street, Suite 627
Stockton, California 95202

Dear Board Members:

APPROVE ADDITION OF ONE SERGEANT AND ONE DEPUTY SHERIFF POSITION FOR MOUNTAIN HOUSE POLICE SERVICES AND RELATED BUDGET ADJUSTMENTS OF $530,351 (4/5ths Vote Required)

RECOMMENDATION:

It is recommended that the Board of Supervisors approve:

1. *The addition of one Sergeant and one Deputy Sheriff position to the Sheriff-Mountain House budget; and*

2. *Fixed asset purchases of a vehicle, mobile radio, and two portable radios; and*

3. *Budget adjustments of $530,351 associated with salaries and benefits, equipment, and other operating costs with offsetting revenue from Mountain House Community Services District (4/5ths vote required).*

REASON FOR RECOMMENDATION:

The Sheriff's Office has provided supplemental police services to Mountain House Community Services District (MHCSD) since 2004. Currently, six Deputy Sheriffs provide services exclusively to MHCSD above and beyond the level of service provided by unincorporated county patrol.

The Sheriff's Office and MHCSD have been discussing the need for increased law enforcement services over the last several months. MHCSD recently approached the Sheriff's Office requesting the addition of a dedicated Sergeant and a seventh Deputy Sheriff position, for a total of eight officers. Additional funding for these positions was adopted on June 21, 2017 by the

MHCSD Board of Directors in its Fiscal Year 2017-2018 budget. Please see letter from MHCSD attached. The Sheriff's Office is agreeable to providing the additional services and recommends your Board approve the addition of two positions plus associated equipment and operating costs.

FISCAL IMPACT:

There is no net county cost associated with this action. An estimated cost of $530,351 will be incurred for salaries and benefits for two positions for 22 pay periods during Fiscal Year 2017-2018, vehicle operating expenses, equipment, training, other supplies, and overhead, with full reimbursement from MHCSD. The Sheriff-Patrol budget will also receive additional revenue in the form of start-up cost reimbursement associated with the backfill hiring and training of two Deputy Sheriff trainees to replace seasoned officers transferred to Mountain House Police Services. These two positions were not included in the 2017-2018 Proposed Budget.

ACTION TO BE TAKEN FOLLOWING APPROVAL:

Human Resources will add the two positions. The Sheriff's Office will coordinate the assignment of officers to Mountain House Police Services.

Sincerely,

STEVE MOORE
SHERIFF-CORONER

c: County Administrator
County Counsel
Board Clerk for Agenda 7-25-17

Reviewed by County Administrator's Office: Reviewed by County Counsel's Office:

Sandra Regalo 7/5/2017 Matthew P. Dacey 6/29/2017

Before the Board of Supervisors

County of San Joaquin, State of California

B-17-493

MOTION: Villapudua/Patti/5

APPROVE ADDITION OF ONE SERGEANT AND ONE DEPUTY SHERIFF POSITION FOR MOUNTAIN HOUSE POLICE SERVICES AND RELATED BUDGET ADJUSTMENTS OF $530,351 (4/5ths Vote Required)

THIS BOARD OF SUPERVISORS DOES hereby approve the addition of one Sergeant and one Deputy Sheriff position to the Sheriff-Mountain House budget; and

FURTHER, approves fixed asset purchases of a vehicle, mobile radio, and two portable radios; and

FURTHER, approves budget adjustments of $530,351 associated with salaries and benefits, equipment, and other operating costs with offsetting revenue from Mountain House Community Services District (4/5ths vote required).

I HEREBY CERTIFY that the above order was passed and adopted on 07/25/2017 by the following vote of the Board of Supervisors, to wit:

AYES: **Villapudua, Miller, Patti, Elliott, Winn**

NOES: **None**

ABSENT: **None**

ABSTAIN: **None**

MIMI DUZENSKI
Clerk of the Board of Supervisors
County of San Joaquin
State of California

Mimi Duzenski

BEFORE THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN JOAQUIN
STATE OF CALIFORNIA

R E S O L U T I O N

R-17-89

RESOLUTION AMENDING SALARY ASSIGNMENT AND
DEPARTMENTAL ALLOCATION LISTING

- - - - - - - - - - - - -

WHEREAS, Section 2-5206 of the Ordinance Code of San Joaquin County, as amended, provides that the Board of Supervisors shall, by resolution, determine the numbers and classes of positions permitted in the County departments, and assign salaries and salary ranges to all officers and employees of the County; and

WHEREAS, Mountain House Community Services District contracts and pays for additional officers for its community and has requested additional Sergeant and Deputy Sheriff positions;

NOW, THEREFORE, BE IT RESOLVED, that the Salary Range Assignment and Departmental Allocation Listing be amended by the following actions:

Effective August 7, 2017

Sheriff-Mountain House (BU# 2021615000)

1. Add the following positions at the following Job Code, Salary Grade, FLSA Code, Union Code and EEO Code.

Class	# of Positions	Job Code	Salary Grade	FLSA Code	Union Code	EEO Code
Sergeant	1	RP1010	783	2	L	4
Deputy Sheriff II	1	RP1003	758	4	K	4

PASSED AND ADOPTED 07/25/2017, by the following vote of the Board of Supervisors, to wit:

AYES: **Villapudua, Miller, Patti, Elliott, Winn**

NOES: **None**

ABSENT: **None**

ABSTAIN: **None**

Charles Winn

ATTEST: MIMI DUZENSKI
Clerk of the Board of Supervisors
Of the County of San Joaquin,
State of California

CHARLES WINN
Chair, Board of Supervisors
County of San Joaquin
State of California

By Mimi Duzenski

COUNTY OF SAN JOAQUIN

REQUEST FOR ADJUSTMENT, ADDITIONAL APPROPRIATIONS / EST. REV. OR TRANSFER OF FUNDS

BD. ORDER NO. B-17-493a

FISCAL YEAR: 2017/18 (YYYY/YY)

CONTROL NO. APPSRF427

0.00 0.00

APPROPRIATIONS:

Fund No.	Dept No.	Account No.	Prog. No.	Proj./Grant No.	AMOUNT INCREASE	DECREASE
10001	2021615000	6001000000			151,906.00	
10001	2021615000	6001600000			15,191.00	
10001	2021615000	6003200000			9,641.00	
10001	2021615000	6001100000			20,558.00	
10001	2021615000	6001100000			887.00	
10001	2021615000	6010300000			2,400.00	
10001	2021615000	6020000000			155,204.00	
10001	2021615000	6020000050			10,011.00	
10001	2021615000	6030100000			2,874.00	
10001	2021615000	6010100000			298.00	
10001	2021615000	6050000000			13,090.00	
10001	2021615000	6070000000			450.00	
10001	2021615000	6080000000			58.00	
10001	2021615000	6040000000			207.00	
10001	2021615000	6206000300			166.00	
10001	2021615000	6217000000			334.00	
10001	2021615000	6217001800			1,334.00	
10001	2021615000	6218000000			53,420.00	
10001	2021615000	6226000000			334.00	
10001	2021615000	6206000600			167.00	
10001	2021615000	6451000800			40,000.00	
10001	2021615000	6452000000			7,122.00	
10001	2021615000	6452000000			11,742.00	
10001	2021615000	6221020100			32,957.00	
TOTAL					**530,351.00**	**0.00**

ESTIMATED REVENUE:

Fund No.	Dept No.	Account No.	Prog. No.	Proj./Grant No.	AMOUNT INCREASE	DECREASE
10001	2021615000	4629811700			530,351.00	
TOTAL					**530,351.00**	**0.00**

FUNDS (CASH):

Fund No.	Dept No.	Account No.			AMOUNT Transfers Out	Transfers In
TOTAL					**0.00**	**0.00**
REQUEST TOTAL					**0.00**	**0.00**

REQUEST FOR ADJUSTMENT, ADDITIONAL APPROPRIATIONS / EST. REV. OR TRANSFER OF FUNDS

FISCAL YEAR: 2017/18
(YYYY/YY)

BD. ORDER NO. B-17-493a
CONTROL NO. APPSRF427

0.00 0.00

REASON FOR REQUEST:

Establish appropriations for addition of one Sergeant and one Deputy Sheriff for 22 pay periods; plus one time equipment purchases.

Fixed asset purchases as follows:
1 vehicle @ $40,000;
1 mobile radio @ $7,122;
2 portable radios @ $5,871 each = $11,742

REQUESTED BY:

6/28/2017 Steve Moore

DATE DEPARTMENT HEAD

APPROVED:

7/25/2017 Sandra Regalo

DATE COUNTY ADMINISTRATOR

BOARD OF SUPERVISORS

I HEREBY CERTIFY that the above order was passed and adopted on 7/25/2017 by the following vote of the Board of Supervisors, to wit:

MOTION: Villapudua/Patti/5
AYES: Villapudua, Miller, Patti, Elliott, Winn
NOES: None
ABSENT: None
ABSTAIN: None

BY Wanda L. Smith
DEPUTY CLERK

APP REQ

Mountain House Community Services District
230 S. Sterling Drive, Suite 100, Mountain House, CA 95391
Tel (209) 831-2300 • Fax (209) 831-5610
www.mhcsd.com

June 28, 2017

Monica Nino
County Administrator
44 North San Joaquin Street
6th Floor, Suite 640
Stockton, CA 95202

Dear Ms. Nino:

On behalf of the Mountain House Community Services District Board of Directors, staff, and community, I thank you for the ongoing support San Joaquin County provides this community. Mountain House has its vision and roots in the county, which will continue to grow as this community grows. Mountain House is now approaching a population of 20,000 people, along with growth in arterial connectivity, retail shopping, new Town Hall and Library facilities, and high-density multi-family residential apartments. With this growth comes the need for additional law enforcement presence.

The Fiscal Year 2017-18 budget recently adopted by the MHCSD Board of Directors includes an appropriation in the amount of $600,000 to hire additional law enforcement for Mountain House. MHCSD staff has worked with the San Joaquin County Sheriff's Office to identify and recommend the best fit for increasing law enforcement in the community. The recommendation is to retain and equip a 'Working Sergeant' and an additional Deputy exclusively for Mountain House. The $600,000 should cover these services, including start-up costs, for the first year. Successive years should be less as the start-up costs should no longer be necessary.

This letter serves as a commitment to San Joaquin County for this additional law enforcement presence in Mountain House. If you have any questions or comments, please feel free to contact me by calling me at (209) 831-5656 or epattison@sjgov.org . Thank you and enjoy your holiday!

Yours truly,

Edwin Pattison
General Manager

"To provide responsive service to our growing community that exceeds expectations at a fair value"