San Joaquin LAFCO
Local Agency Formation Commission
The Gateway County

Balancing Community and Commerce

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October 14, 2026

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

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

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

FINDINGS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

> Section 5. The Commission hereby adopts separate Contingency Reserve Funds categories of Litigation, Compensated Absences, Pension/OPES and Working Capital with minimum balances as stated in the Executive Officer's Staff Report.
>
> Section 6. The Commission hereby directs the Executive Officer to report on the status of each category of Contingency Reserve Funds as part of mid-year and annual budget preparation and review processes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a. Inclusion within a municipality sphere of influence.

b. Inclusion within a multipurpose district sphere of influence.

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

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

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

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

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

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

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

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

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

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

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

San Joaquin Population Growth Rates

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

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

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

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

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

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

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

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

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

San Joaquin 2070 Population Projection

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RECOMMENDATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

October 14, 2026
Response Civil Grand Jury
Case No. 0225

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

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

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

Cordially,

Steven Ding, Chairperson
San Joaquin Local Agency Formation Commission

AGREEMENT FOR PROFESSIONAL SERVICES

This Agreement is made and entered into this 29th day of January, 2026, by and between the **SAN JOAQUIN LOCAL AGENCY FORMATION COMMISSION**, a public body, corporate and politic ("SJLAFCo") and Vasquez + Company, LLP, a California corporation ("Consultant").

RECITALS

A. Consultant is specially trained, experienced, and competent to perform the professional services required by this Agreement.

B. Consultant possesses the skill, experience, ability, background, certification, and knowledge to provide the services described in this Agreement on the terms and conditions specified herein.

C. SJLAFCo desires to retain Consultant to render the professional services set forth in this Agreement.

AGREEMENT

1. Scope of Services. Consultant shall perform the auditing services described in the attached Attachment 1 that is incorporated by this reference, and pursuant to the Proposal submitted by Consultant dated November 14, 2025, and attached hereto as Attachment 2. Consultant shall provide these services at the time, place, and in the manner specified in Attachment 1, subject to the direction of the SJLAFCo through its staff that may be provided from time to time. Performance of the auditing services is sometimes referred to herein as "the Project."

2. Work Through SJLAFCo Staff. Consultant shall perform its services pursuant to this Agreement solely through SJLAFCo staff. No communications, information or documentations shall be made directly to any SJLAFCo member agency or applicant(s) without the prior written consent of the SJLAFCo. This shall not apply to the sole request of information or clarification of information by Consultant from member agencies or applicant(s). All requests shall be noted to SJLAFCo in an expeditious manner.

3. Time of Performance. Consultant's services will commence upon execution of this Agreement and shall be completed in accordance with the Schedule of Activities, attached hereto as Attachment 3. All work associated with the first year subsequent annual work efforts shall be completed no later than March 1, 2027 and March 1 thereafter for the term of this agreement. Failure to submit work products in accordance with the Schedule of Activities may result in the SJLAFCo withholding progress payments. Repeated failure to complete work products in accordance with the Schedule of Activities may result in a reduction of the total compensation provided for in Section 4 herein.

4. Compensation. Without additional authorization from the SJLAFCo, compensation to be paid to Consultant shall not exceed FORTY-ONE THOUDAND TWO HUNDRED NINE DOLLARS ($41.209.00) as shown in the Maximum Fee exhibit in Attachment 2. Payment by SJLAFCo under this Agreement shall not be deemed a waiver of any defects, even if those defects were known to the SJLAFCo at the time of payment.

5. Method of Payment. Consultant shall submit monthly billings to SJLAFCo specifying and describing the work performed during the preceding month. Consultant's bills shall include a brief description of the services performed, the date the services were performed, the number of hours expended and by whom, and a description of any reimbursable expenditures. Full payment of each task will only be made at such time as each task is completed.

SJLAFCo shall pay Consultant no later than 30 days after approval of the monthly invoice by SJLAFCo staff. Payments may be delayed by SJLAFCo if Consultant fails to provide services in accordance with the Schedule of Activities, unless the SJLAFCo has provided prior written consent to any delay in the schedule.

6. Extra Work. At any time during the term of this Agreement, SJLAFCo may request that Consultant perform Extra Work. As used herein, the term "Extra Work" means any work that is determined by SJLAFCo to be necessary for the proper completion of the Project, but which the parties did not reasonably anticipate would be necessary at the time of execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without the SJLAFCo's prior written authorization.

7. Termination. This Agreement may be terminated by the SJLAFCo immediately for cause, or by either party without cause upon 15 days' prior written notice of termination. Upon termination, Consultant shall be entitled to compensation for services performed up to the effective date of termination upon submittal of an invoice for same.

8. Ownership of Documents; Confidentiality.

A. All plans, studies, documents, and other writings prepared by and for Consultant, its officers, employees, agents, and subcontractors in the course of implementing this Agreement, except working notes and internal documents, shall become the property of SJLAFCo upon payment to Consultant for such work. SJLAFCo shall have the sole right to use such materials in its discretion without further compensation to Consultant or to any other party. Consultant shall, at Consultant's expense, provide such reports, plans, studies, documents and other writings to SJLAFCo upon written request by SJLAFCo. Consultant shall not be responsible for any unauthorized modification or use of such information for other than its intended purpose.

The audit documentation or audit working papers prepared in accordance with Government Auditing Standards shall not be subject to the provisions of this section where the section requirements are inconsistent with such Auditing Standards. In such case, the Auditing Standards shall prevail.

B. All memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other documents and data, either created by or provided to Consultant in connection with the performance of this Agreement, shall be held confidential by Consultant. These materials shall not, without the SJLAFCo's prior written consent, be used by Consultant for any purposes other than the performance of the services under this Agreement. Nor shall these materials be disclosed to any person or entity not connected with the performance of services under this Agreement. Nothing furnished to Consultant that is otherwise known to Consultant, or is generally known, or has become known to the related profession shall be deemed confidential. Consultant shall not use SJLAFCo's name or insignia, photographs relating to the Project for which Consultant's services are rendered, or any publication of SJLAFCo pertaining to the Consultant's services under this Agreement in any magazine, trade paper, newspaper, television or radio production, or other similar medium without the SJLAFCo's prior written consent.

9. Consultant's Books and Records.

A. Consultant shall maintain all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services, or expenditures and disbursements charged to SJLAFCo, for a minimum period of three years, or for any longer period required by law, from the date of final payment to Consultant under this Agreement.

B. Consultant shall maintain all records that document performance under this Agreement for a minimum period of three years, or for any longer period required by law, from the date of termination or completion of this Agreement.

C. Any records or documents required to be maintained pursuant to this Agreement shall be made available for inspection or audit at any time during regular business hours, upon written request by the SJLAFCo Manager, SJLAFCo Attorney, SJLAFCo Auditor, or a designated representative of any of these officers. Copies of such documents shall be provided to SJLAFCo for inspection at SJLAFCo Hall when it is practical to do so. Otherwise, unless an alternative is mutually agreed upon, the records shall be available at Consultant's address specified in Section 16 of this Agreement.

D. Where SJLAFCo has reason to believe that records or documents may be lost or discarded due to the dissolution or termination of Consultant's business, SJLAFCo may, by written request, require that custody of the records be given to the SJLAFCo and that the records and documents be maintained in SJLAFCo Hall. Access to these records and documents shall be granted to any party authorized by Consultant, Consultant's representatives, or Consultant's successor-in-interest.

10. Independent Contractor. In the performance of the work and services required by this Agreement, Consultant shall act as and be an independent contractor and not an agent, or employee of the SJLAFCo. Consultant shall obtain no rights to retirement or other benefits that accrue to SJLAFCo's employees, and Consultant expressly waives any claim it may have to any such rights.

11. Interest of Consultant.

A. Consultant represents that neither it nor any employee has any investment or interest in real property, and shall not acquire any such interest, direct or indirect, within the area covered by this Agreement, or any other source of income, interest in real property, or investment that would be affected in any manner or degree by the performance of Consultant's services hereunder. Consultant further represents that, in the performance of its duties hereunder, no person having any such interest shall perform any services under this Agreement.

B. Consultant is not a designated employee within the meaning of the Political Reform Act because Consultant:

(1) will conduct research and arrive at conclusions with respect to its rendition of information, advice, recommendation, or counsel independent of the control and direction of the SJLAFCo, or of any SJLAFCo official, other than normal Agreement monitoring; and

(2) possesses no authority with respect to any SJLAFCo decision beyond the rendition of information, advice, recommendation, or counsel. (FPPC Reg. 18700(a)(2).)

12. Professional Ability of Consultant.

A. SJLAFCo is relying upon the professional training and ability of Consultant to perform the services hereunder as a material inducement to enter into this Agreement. Consultant shall therefore provide skilled professional and technical personnel to perform all services under this Agreement. All work performed by Consultant shall be in accordance with applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Consultant's field of expertise.

B. The primary provider of the services required by this Agreement shall be Cristy Canieda, Partner – Government Practice Leader. A list of other individuals assigned to the Project will be provided to SJLAFCo for its review and approval, and these individuals shall not be replaced without the SJLAFCo's prior written consent, unless the individuals leave the firm.

13. Compliance with Laws. Consultant shall use the customary standard of care in its profession to comply with all applicable federal, state, and local statutes, codes, ordinances, and regulations.

14. Licenses. Consultant represents and warrants to SJLAFCo that it has all licenses, permits, qualifications, insurance, and approvals that are legally required of Consultant to practice its profession. Consultant represents and warrants to SJLAFCo that Consultant shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement, any licenses, permits, insurance, and approvals that are legally required of Consultant to practice its profession.

15. Indemnification and Hold Harmless. Consultant agrees to defend, indemnify, and hold harmless the SJLAFCo, its officers, officials, agents, employees, and volunteers, from and

against any and all claims, demands, actions, losses, damages, injuries, and liability, direct or indirect (including any and all costs and expenses in connection therewith), arising out of Consultant's negligent performance of this Agreement, or Consultant's failure to comply with any of its obligations contained in this Agreement; excluding, however, any claim arising out of the active negligence or willful misconduct of the SJLAFCo, its officers, agents, employees, or volunteers.

16. Insurance Requirements.

A. Job specific insurance requirements can be found on the attached Attachment 4. Other insurance provisions can be found below:

B. Endorsements. Each general liability and automobile liability insurance policy shall be with insurers possessing an A.M. Best's rating of no less than A:VII and shall be endorsed with language substantially as follows:

(1) The SJLAFCo, its elected and appointed officers, officials, employees, agents and volunteers are to be covered as additional insureds with respect to liability arising out of work performed by or on behalf of the Consultant, including materials, parts, or equipment furnished in connection with such work.

(2) The policy shall be considered primary insurance as respects the SJLAFCo, its elected and appointed officers, officials, employees, agents and volunteers. Any insurance maintained by the SJLAFCo, including any self-insured retention the SJLAFCo may have, shall be considered excess insurance only and shall not contribute with it.

(3) The insurance shall apply to each insured and additional insured as though a separate policy had been written for each, except with respect to the limits of liability of the insuring company.

(4) The insurer waives all rights of subrogation against the SJLAFCo, its elected and appointed officers, officials, employees, and agents.

(5) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the SJLAFCo, its elected and appointed officers, officials, employees, agents, or volunteers.

(6) The insurance provided by the policy shall not be suspended, voided, canceled, or reduced in coverage or in limits except after 30 days written notice has been received by the SJLAFCo.

(7) The SJLAFCo will not accept any endorsements that were issued in 2004. Acceptable endorsement forms are CG 20 10 11 85 or both CG 20 10 10 01 and CG 20 37 10 01.

C. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the SJLAFCo. At the SJLAFCo's option, Consultant shall demonstrate financial capability for payment of those deductibles or self-insured retentions.

D. Certificates of Insurance. Consultant shall provide to SJLAFCo certificates of insurance with original endorsements as evidence of the required insurance coverage. Certificates of insurance shall be filed with the SJLAFCo on or before commencement of performance of this Agreement. Current certification of insurance shall be kept on file with the SJLAFCo at all times during the term of this Agreement.

17. Notices. Any notice required to be given under this Agreement shall be in writing and either served personally or sent prepaid, first class mail. Any such notice shall be addressed to the other party at the address set forth below. Notice shall be deemed communicated within 48 hours from the time of mailing if mailed as provided in this section.

If to SJLAFCo: San Joaquin Local Agency Formation Commission
1001 W. Center Street
Manteca, CA 95337
Attention: J.D. Hightower, Executive Officer

If to Consultant: Vasquez + Company, LLP_
655 North Central Avenue, Suite 1550
Glendale, CA 91203
Attention: Cristy Canieda, Partner

18. Entire Agreement. This Agreement constitutes the complete and exclusive statement of Agreement between the SJLAFCo and Consultant. All prior written and oral communications, including correspondence, drafts, memoranda, and representations, are superseded in their entirety by this Agreement.

19. Amendments. This Agreement may be amended only by a written document executed by both Consultant and SJLAFCo and approved as to form by the SJLAFCo Attorney.

20. Assignment and Subcontracting. The parties recognize that a substantial inducement to SJLAFCo for entering into this Agreement is the professional reputation, experience, and competence of Consultant. Assignments of any or all rights, duties, or obligations of the Consultant under this Agreement will be permitted only with the express written consent of the SJLAFCo. Consultant shall not subcontract any portion of the work to be performed under this Agreement without the written authorization of the SJLAFCo. If SJLAFCo consents to such subcontract, Consultant shall be fully responsible to SJLAFCo for all acts or omissions of the subcontractor. Nothing in this Agreement shall create any contractual relationship between SJLAFCo and subcontractor nor shall it create any obligation on the part of the SJLAFCo to pay any monies due to any such subcontractor other than as may be required by law.

21. Waiver. Waiver of any breach or default under this Agreement shall not constitute a continuing waiver of a subsequent breach or default of the same or any other provision under this Agreement.

22. Severability. If any provision of this Agreement is held to be invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall continue in full force and effect.

23. Controlling Law; Venue. This Agreement and all matters relating to it shall be governed by the laws of the State of California, and any legal action relating to this Agreement shall take place in the Superior Court, County of San Joaquin.

24. Litigation Expenses and Attorneys' Fees. If either party to this Agreement commences any legal action against the other party arising out of this Agreement, the prevailing party shall be entitled to recover its reasonable litigation expenses, including court costs, expert witness fees, discovery expenses, and attorneys' fees.

25. Mediation. The parties agree to make a good faith attempt to resolve any disputes arising out of this Agreement through mediation prior to commencing litigation. The parties shall mutually agree upon the mediator and shall divide the costs of mediation equally. If the parties are unable to agree upon a mediator, the dispute shall be submitted to JAMS/ENDISPUTE ("JAMS") or its successor in interest. JAMS shall provide the parties with the names of five qualified mediators. Each party shall have the option to strike two of the five mediators selected by JAMS, and thereafter the mediator remaining shall hear the dispute. If the dispute remains unresolved after mediation, either party may commence litigation.

26. Execution. This Agreement may be executed in several counterparts, each of which shall constitute one and the same instrument and shall become binding upon the parties when at least one copy has been signed by both parties.

27. Authority to Enter Agreement. Consultant warrants that it has all requisite power and authority to conduct its business and to execute, deliver, and perform this Agreement. Each party warrants to the other that the signatories to this Agreement have the legal power, right, and authority to enter into this Agreement and to bind each party.

28. Prohibited Interests.

A. Consultant warrants that it has not employed or retained any person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has neither paid nor agreed to pay any person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift, or other consideration contingent upon or resulting from the award or making of this Agreement. For any breach or violation of this warranty, SJLAFCo shall have the right to rescind this Agreement without liability.

B. For the term of this Agreement, no member, officer, or employee of SJLAFCo, during the period of his or her service with SJLAFCo, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

29. Equal Opportunity Employment. Consultant represents that it is an equal opportunity employer, and it shall not discriminate against any subcontractor, employee, or applicant for employment because of race, religion, color, national origin, handicap, ancestry, sex, or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

30. Precedence. In case of conflict between Consultant's Proposal/Consultant's attachments and the SJLAFCo's Agreement/SJLAFCo's attachments, the SJLAFCo's Agreement and SJLAFCo's attachments shall take precedence over Consultant's proposal/Consultant's attachments.

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TO EFFECTUATE THIS AGREEMENT, each of the parties has caused this Agreement to be executed by its duly authorized representative as of the date set forth in the introductory paragraph on page 1 above.

SAN JOAQUIN LOCAL AGENCY FORMATION COMMISSION:
CONSULTANT:

J.D. Hightower, Executive Officer
San Joaquin LAFCo r

Cristy Canieda, Partner *
Vasquez + Company, LLP

ATTEST:

By: _____
(Signature)

Mitzi Stites, Clerk/Analyst
San Joaquin LAFCo

_____
(Type name and title)

LAFCo

Fresno Local Agency Formation Commission

8/5/2026

The Honorable Lance G. Jacot, Presiding Judge
San Joaquin County Superior Court
180 E. Weber Avenue, Ste 1306J
Stockton, CA 95202

Re: San Joaquin County 2025-2026 Civil Grand Jury Final Report

Fresno LAFCo was recently contacted by the Executive Officer of San Joaquin LAFCo who shared the Final Report with us. J.D. and his team have always been amazing partners to us whenever we needed assistance in the past and we are excited to have the opportunity to try to return the favor and offer some additional insight that can be beneficial to the Civil Grand Jury and the public overall.

After reviewing the Final Report, it is my understanding that Fresno LAFCo is likely to be the most service in assisting with addressing Recommendation 6. Our team has already sent over the last versions of our Annual and Mid-Year Budget Reports and Work Plan Updates, and we are ready to schedule any additional follow-up necessary for any of the recommendations that we can assist with.

While wholly unsolicited, I would like to take this opportunity to offer some additional insight into how Fresno LAFCo addresses Municipal Service Reviews and how we interpret "every 5 years, as necessary". The San Joaquin Civil Grand Jury did an excellent job in identifying two key goals that every LAFCo must strive for: Logic and Efficiency. For some LAFCos in the State, there are only a few incorporated cities and a handful of districts which makes it straightforward to tackle the task of ensuring MSRs are updated every 5 years. For other LAFCos like San Joaquin and Fresno, there are over ten cities and over one hundred districts to schedule and manage Municipal Service Reviews.

With a single Municipal Service Review typically taking an average of 6 months to complete, a 5-year MSR cycle would typically yield 10 MSRs per year with a cap of 60 agencies reviewed (a rate of 10 MSRs per year is virtually unheard of outside of a few exceptional cases). This rate would allow San Joaquin LAFCo to reach just over 55% of the requirement if held at a strict 5-year cycle. The logical solution to maximize efficiency would be to either hire additional Analysts or create a bigger budget for consultants to assist in processing more MSRs per year. The hurdle that of course is created with this solution would be convincing our Commissioners, Board of Supervisors, City Councils and even our District Boards to pay more per year to LAFCo in allocations. In most cases this could easily double the operating budget for any LAFCo.

It is also worth considering the resources required at the end of the Cities and Districts. While most Cities and larger Districts could absorb the additional resources needed to coordinate with LAFCo every 5 years. Some smaller Cities and most all smaller Districts operate on small and virtually fixed budgets. With resources already so tight, even the smallest increase could send a district into a slow spiral that would eventually require them to dissolve.

As the Executive Officer of an agency that is ultimately funded by public tax dollars, I feel it is my absolute duty to balance logic and efficiency to ensure the public is receiving services at or above standards while minimizing the costs to verify it through a Municipal Service Review. I also believe the team at San Joaquin LAFCo shares this sense of duty to the public.

I will be using this opportunity to self-check our own practices to make adjustments as needed and for that I offer my sincere thanks to the San Joaquin Civil Grand Jury as well as San Joaquin LAFCo. If I could make a small request, it would be to consider the long term and bottom-line effects of pushing towards a strict 5-year cycle across the board.

Even though San Joaquin and Fresno are two separate Counties, LAFCos and Civil Grand Juries, we are all partners within this State and within the Central Valley. The strong work ethics, approachable personalities, and willingness to collaborate that I have experienced with JD and his team at San Joaquin LAFCo are all traits that Fresno LAFCo strives for. It would be our absolute honor to assist in any way.

Your time and consideration in reading this letter is greatly appreciated. Please respond if there are additional details or clarification that I could provide.

Respectfully,

Brian Spaunhurst
Executive Officer

San Joaquin LAFCO
Local Agency Formation Commission
The Gateway County

Balancing Community and Commerce

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

MEETING AGENDA

THURSDAY, AUGUST 13, 2026, 9:00 A. M.
BOARD OF SUPERVISORS CHAMBERS
44 NORTH SAN JOAQUIN STREET, 6TH FLOOR
STOCKTON, CALIFORNIA

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

CONSENT ITEMS

1. SUMMARY OF MINUTES OF JUNE 11, 2026
   (*Possible Discussion and Possible Action by All Members)*
   Approve Summary Minutes of the Regular Meeting.

PUBLIC COMMENTS

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

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

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

CORRESPONDANCE

3. Written communication received from Krystal Gonzalez, Grand Jury Staff Secretary, San Joaquin County Superior Court, June 17, 2026
   (Possible Discussion and Possible Action by All Members)

   Review the SJ County Civil Grand Jury Report and consider LAFCo's response with policies and procedures to the SJ County Civil Grand Jury's Finding and Recommendations

   A. SJ LAFCo draft response letter to the Grand Jury
      Exhibit 1. Contract with Vasquez + Company, LLP
      Exhibit 2. Letter from Brian Spaunhurst, Executive Officer, Fresno LAFCo

   B. Financial and Accounting Procedures
      1. Contingency Fund
      2. Annual Audit

3.Mid-Year Budget

C. Sphere of Influence

D. Conflict of Interest

E. Code of Ethics

F. Duties of the Executive Officer

G. San Joaquin LAFCo Employee Handbook

EXECUTIVE OFFICER COMMENTS

4. Comments from the Executive Officer

COMMISSIONER COMMENTS

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

ADJOURNMENT

* * * *

DISCLOSURE OF BUSINESS OR CAMPAIGN CONTRIBUTIONS TO COMMISSIONERS

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

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

Agenda Item 1

Balancing Community and Commerce

San Joaquin LAFCO
Local Agency Formation Commission
The Gateway County

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

SUMMARY MINUTES
August 13, 2026

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

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

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

CONSENT ITEMS

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

Chair Ding opened the floor to Commissioner Comments.

No comments were made

Chair Ding opened the floor to Public Comments

No Comments were made

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

Chair Ding asked for a Roll Call Vote:

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

Noes: None

Absent : Commissioner Dhatt

PUBLIC COMMENTS:

3. Chair Ding opened the floor to Public Comments

No one came forward

Chair Ding closed Public Comments

CORRESPONDENCE

2. J.D. Hightower, Executive Officer, presented a PowerPoint presentation of both the findings and the recommendations from the San Joaquin Civil Grand Jury, Coordinating and Planning Growth, Case No. 0225 as well as San Joaquin LAFCo's proposed response. Mr. Hightower provided the Commission with a detailed overview of the Civil Gand Jury letter and discussed each finding and recommendation in detail. Following the presentation and discussion, the Commission agreed to approve the response to the letter

Chair Ding opened the floor to Commissioner Comments.

Commissioner Barton stated that the grand jury did its job, and LAFCO's response reflected the reality and your work has EO. Commission Barton inquired what are the Commissions obligations and responsibilities moving forward

LAFCO Counsel Nubia Goldstein stated that the response was appropriate, particularly because districts, cities, and counties had been facing similar challenges in responding to Civil Grand Jury findings. Ms. Goldstein noted that, based on discussions with Mr. Hightower, and a review of the report, it was clear that the Civil Grand Jury had conducted its due diligence and fulfilled its role as a watchdog agency responsible for reviewing the mechanics and operation of independent bodies withing the County.

LAFCO Counsel Nubia Goldstein explained that there were both procedural and practical considerations regarding the agency and commission's obligations. From a procedural standpoint, the response needed to be provided in the format Mr. Hightower had drafted for the Commission review. The response addresses each finding by indicating whether the Commission agreed, disagreed or agreed in part,

and also addresses the recommendations. Ms. Goldstein further stated that, beyond the procedural response, the Commission was responsible for carrying out the actions it had committed to undertake. Mr. Hightower has proposed significant steps to evaluate budgeting concerns, staffing consideration and overall operational changes that the Commission will consider and approve in the future. This agency is a watchdog that reviews but does not have independent authority to mandate specific actions. The Commission will consider its recommendations while determining the appropriate course, considering the practical challenges and unfunded state mandates faced by this and other agencies.

Ms. Goldstein stated that the agency lacked independent funding, which created practical challenges. It is also affected by market forces and other factors beyond its control, which shaped its response to the Grand Jury.

Commissioner Barton stated that JD Hightower, Executive Officer, responses accurately reflected the reality of our staffing, budget and mandates. I appreciate the direction in responding to the Grand Jury.

Commissioner Johnson stated Mr. Hightower did an excellent job addressing the report and respecting its findings, which had not always been the case. You addressed the key issues and presented a thoughtful, practical plan. Commissioner Johnson also appreciated Mr. Hightower's focus on using technology to address challenges rather than increasing staffing, recognizing that technology could be adjusted more easily.

Commissioner Arriola thanked J.D. Hightower, Executive Officer and staff, for their responses, he also wanted to acknowledge the Civil Grand Jury and the importance it plays in our local government. Many of the recommendations have already been implemented or will be implemented. Commissioner Arriola also thanked staff for explaining the findings and responses clearly. One theme that he noticed, especially around audits and reserve funds, may be more of a communication issue than transparency issue. Commission Arriola stated that he has been elected official locally for 10 years, and believes LAFCO is functioning effectively. Of course we can always do better. Regarding the website, it is well laid out, but when it comes to policies and procedures, there may be an opportunity to make the information easier for the public to understand. right now, much if it listed as PDF files. Since the Grand Jury raised concerns about transparency, perhaps we can look at better ways to communicate our policies and procedures through the website. I'm curious if there is an opportunity to improve this in a cost-effective way, both to make the information clear and to maintain it going forward.

J.D Hightower, Executive Officer, stated there are always ways to improve transparency, and we can work toward that. We have received cost estimated for adding interactive maps to the websites. This would allow property owners to enter their property information and see which special districts receive their property taxes. They could also see information about what those districts do.

Commissioner Arriola thanked J.D. Hightower. Executive Officer. I think those interactive tools are great. Since we already have these PowerPoint presentations, maybe we could post the slides on the website under Policy and Procedures with

simple headings. This could make the information easier for the public to understand.

Chair Ding thanked the Grand Jury for the time and work they put in. He noted that most people did not know what LAFCO was or what it did, so it was helpful to have someone review their work. He thanked J.D Hightower, Executive Officer, for doing a great job with the response and thanked counsel for the clear summary.

Chair Ding open the floor to Public Comments

Bob Benz addressed the Commission.

Commissioner Dhaliwal asked what more the Commission could do to address the Civil Grand Jurys concerns.

LAFCO Counsel Nubia Goldstein stated that the Grand Jury's report focused on transparency and giving the public more information. The Commission's response, based on JD Hightower's response, was that LAFCo was looking for ways to provide more information to the public.

LAFCO Counsel Nubia Goldstein stated that the Commission had addressed the concerns and objectives, it should do so.

Commissioner Johnson asked if the Commission had met the criteria

LAFCO Counsel Nubia Goldstein stated that, based on what she heard, the Commission supported the proposal without any changes or concerns, that was the time to raise them. Otherwise, the draft response would be finalized and sent to the Civil Grand Jury. Ms. Goldstein also explained that the response would follow the standard format for responding to the Grand Jury's findings and recommendations. Since there were no changes, the response would move forward for final approval by the Commission.

EXEUTIVE OFFICER COMMENTS

6. J.D. Hightower. Executive Officer thanked the Civil Grand Jury for their thorough review and report given on LAFCo's operation and process.

ADJOURMENT

Chair Ding adjourned the meeting at 9:41 a.m.