

LASSEN COUNTY LOCAL AGENCY FORMATION COMMISSION
City Council Chambers 66 N. Lassen St. Susanville, CA 96130

REGULAR MEETING
Monday, October 17, 2022

Meeting called to order at 3:04 p.m.

Members present: Commissioner Bridges, Commissioner Stafford, Commissioner McCourt, Vice Chair Gallagher, and Chair Eid.

Staff Present: Jennifer Stephenson Executive Officer, and Ruth McElrath, Building Permit Tech.

Approval of Agenda: Motion by Commissioner Gallagher, seconded by Commissioner Bridges to approve the agenda. Motion carries: Gallagher, Bridges, Stafford, McCourt, and Eid.

Correspondence: Ms. Stephenson said the County sent a letter regarding a four-parcel development in the Clear Creek area, and she would be providing comment on it.

Approval of the August 8, 2022, minutes Motion by Commissioner Gallagher, seconded by Commissioner Bridges to approve the August 8, 2022, minutes. Motion carries: Ayes: Gallagher, Bridges, Stafford, McCourt and Eid.

Public Comment: None

Approval of Updates to LAFCo's Bylaws

Ms. Stephenson explained the item is what the board saw last time with the additional language from the adopting resolution regarding the financing section. Motion by Commissioner Stafford, seconded by Commissioner Hemphill to approve Resolution 22-0006. Motion carries: Ayes: Stafford, Hemphill, McCourt, and Gallagher.

Biennial conflict interest code review

Ms. Stephenson stated the code is required to be reviewed every two years. The last review was done in 2020, but the last update was in 2004. It appears changes do not need to be made at this time.

Motion by Commissioner Gallagher, second by Commissioner Bridges to sign and return the filing to the County. Motion carries: Ayes: Gallagher, Bridges, Stafford, McCourt and Eid.

Discussion regarding Spalding CSD FY 20-21 Financial Statement Findings

Vice Chair Gallagher commented that the report didn't seem to be an audit, rather something someone wrote afterward. He saw an actual document with findings, but this only had notes and seemed like a response to the audit.

Ms. Stephenson responded that a financial statement is an audited financial document where an outside unbiased auditor comes in and audits the finances. There can be a separate more detailed audited statement and maybe that is what Vice Chair Gallagher was seeing.

She provided some bullet points from the report but started by stating she reached out to the district to attend the meeting. The district response was, they don't work on Monday and would not be at the meeting.

The first point Ms. Stephenson discussed was that under the basis for qualified opinion, the financial statements, capital assets and accumulation of depreciation, as of Jul 1, 2020, were not properly recorded in the financial statements. The discrepancies are described and there were significant differences. The enterprise fund accumulated depreciation was to decrease by \$161,000.

Secondly, the district uses Quickbooks to track activities, however, the County pays the bills and tracks funds. There were discrepancies between the two regarding fund balances. For example, the sewer fund cash was understated by \$26,252.

The third issue is the district did not present the management discussion analysis that accounting principles generally require.

While it's not called out, Ms. Stephenson said she was concerned about the district's sewer services. The district's entire revenue is sewer service fees for which they receive \$188,000. However, she explained when you include depreciation, expenses totaled almost \$700,000, so they are not covering future capital needs based on the level of depreciation that they are seeing annually. They are barely even able to cover salaries, benefits, services, and supplies in a given year. Excluding depreciation, they are just meeting service supplies and wages.

Vice Chair Gallagher said there used to be a capital fund they put money in of about \$100,000 year. The district had refinanced its bonds and took some money they were allowed to take it and expended it. He doesn't know how they spent \$700,000 though.

There was further discussion regarding the district's funding.

Sandy Raffelson, Herlong Public Utility District General Manager, said it would be interesting to see a new financial statement because districts are six months behind by the time the audits are received. She said they have a new general manager. In addition, small districts never fund their depreciation because it's not feasible.

Ms. Stephenson responded that the report she has is the most recent.

Vice Chair Gallagher stated the sewer fund has been in the negative for the last few months. He wondered how a special district can go into the negative.

Ms. Raffelson responded funds can't be comingled, they need to do a loan from one to the other and there should be a note in the financials to do that.

Ms. Stephenson concluded her report stating there is no adopted budget for sewer. It's apparently not a legal requirement to adopt for enterprise funds, but she would assume it is a best management practice.

Chair Eid said they need direction, as he has not seen a report like this.

Ms. Stephenson responded she would like to see the audit Vice Chair Gallagher is referring to. Given the district wasn't present today, a letter would be sent itemizing the concerns, and ask what their plan is to address the concerns.

Discussion regarding Fire Reorganization Options

Ms. Stephenson said the item was waning, but at the last meeting, it was discussed to bring the matter back on a quarterly basis.

Chair Eid said there was lack of interest in moving forward with any kind of Joint Powers Authority. He thinks LAFCo has done its responsibility by putting it on the agenda several times, reaching out to the Fire Districts, and Susanville Fire Chief James Moore. It should not be an ongoing project for LAFCo as it is the one to make the suggestions and we've done that.

Vice Chair Gallagher agreed.

Ms. Raffelson asked about the process moving forward.

Vice Chair Gallagher responded they need to figure out what districts want to come together, because it goes to a vote and then comes to LAFCo.

Ms. Stephenson asked what type of information was offered by LAFCo, such as options, benefits and challenges for each option.

Vice Chair Gallagher stated they were discussed. The focus was all the districts had to agree they wanted to come together and that was going to be a challenge because of the many boards that existed.

Chair Eid responded it does not require all the fire districts to get on board, it is for any district interested in joining. He saw a lack of interest. He reiterated why LAFCo wants to continue pushing, as that is not its job.

Commissioner McCourt said LAFCo needs something to discuss, and that will come from their input. He said there was interest in listening and considering from LAFCo, but we needed some more buy in from people to bring stuff for us to talk about.

Ms. Raffelson said she will rally the districts as they want to do it. She continued as it is right now, they are only allowed to work in their districts but if there is a JPA you can gather resources. She would love to see it go as small districts are dying.

Ms. Stephenson explained Plumas County is currently going through a reorganization, and it is a good case study to follow. They have been effective in moving forward, and she would like to present on how that process occurred. LAFCo did a presentation at a town hall meeting and at board meetings for each stakeholder. Providing that information helped them gain and facilitate the creation of this Memorandum of Understanding.

Chair Eid asked if she could articulate that, send it to the fire departments and put it on the LAFCo agenda. If she believed that would have a positive impact, then put it on the next meeting. But we have to let the districts know what we are doing and include Chief Moore for feedback.

There was further general discussion regarding the matter.

Authorize payment of claims

Motion by Vice Chait Gallagher, seconded by Commissioner Bridges to approve payment of claims for August and September 2022. Motion carries: Ayes: Gallagher, Bridges, Stafford, McCourt and Eid.

Executive Officer's Monthly Report

Ms. Stephenson explained she is on the Calafco Leg Committee, and she will provide updates after the meetings. The committee is getting ready for the new legislative year and they are soliciting omnibus recommendations or requests, which are usually noncontentious requests. The next meeting will be held Nov. 4.

She was recently in contact with a representative from the California Special Districts Association and the Lassen/Modoc chapter has been revived.

Commissioner Reports: None

Adjourn: Motion to adjourn at 3:44 p.m.

Todd Eid, Chair

Ruth McElrath, Building Permit Technician

Approved _____