

**LASSEN
LOCAL AGENCY FORMATION COMMISSION
(LAFCo)**

**LASSEN MUNICIPAL UTILITY DISTRICT
(LMUD)**

MUNICIPAL SERVICE REVIEW (MSR)

AND

SPHERE OF INFLUENCE (SOI)

Adopted
FEBRUARY 14, 2022

Resolution 2022-0001 Municipal Service Review
Resolution 2022-0002 Sphere of Influence Update

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1 INTRODUCTION

1.1 Local Agency Formation Commission (LAFCo) History

This report is prepared pursuant to State legislation enacted in 2000 that requires Lassen LAFCo to complete a comprehensive review of municipal service delivery and update the spheres of influence (SOIs) of all agencies under LAFCo's jurisdiction. This chapter provides an overview of LAFCo's history, powers and responsibilities. It discusses the origins and legal requirements for preparation of a Service Review commonly referred to as a Municipal Service Review (MSR). Finally, the chapter reviews the process for MSR review, MSR approval and SOI updates.

After World War II, California experienced dramatic growth in population and economic development. With this boom came a demand for housing, jobs and public services. To accommodate this demand, many new local government agencies were formed, often with little forethought as to the ultimate governance structures within a given region. A lack of coordination and adequate planning led to a multitude of overlapping, inefficient jurisdictional and service area boundaries, many of which resulted in the premature conversion of California's agricultural and open-space lands and duplication of services.

Recognizing this problem, in 1959, Governor Edmund G. Brown, Sr. appointed the Commission on Metropolitan Area Problems. The Commission's charge was to study and make recommendations on the "misuse of land resources" and the growing complexity of local governmental jurisdictions. The Commission's recommendations on local governmental reorganization were introduced in the Legislature in 1963; resulting in the creation of a Local Agency Formation Commission, or "LAFCo," operating in every county.

LAFCo was formed as a countywide agency to discourage urban sprawl and to encourage the orderly formation and development of local government agencies within its jurisdiction. LAFCo is responsible for coordinating logical and timely changes in local governmental boundaries; including annexations and detachments of territory, incorporations of cities, formations of special districts, and consolidations, mergers and dissolutions of districts, as well as reviewing ways to reorganize, simplify, and streamline governmental structure.

The Commission's efforts are focused on ensuring services are provided efficiently and economically while agricultural and open-space lands are protected or conserved to the extent possible. To better inform itself and the in compliance with the State Law; LAFCo conducts MSR's to evaluate the provision of municipal services for service providers within its jurisdiction.

LAFCo regulates, through approval, denial, conditions and modification, boundary changes proposed by public agencies or individual voters and landowners. It also regulates the extension of public services by cities and special districts outside their boundaries. LAFCo is empowered to initiate updates to the SOIs and proposals involving the dissolution, consolidation or formation of special districts, establishment of subsidiary districts, and any reorganization including such actions. Where LAFCo is not given specific authority, LAFCo actions must originate as petitions from affected voters or landowners, or by resolutions by affected cities or special districts.

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A Plan for Services is required in Government Code Section 56653. A Plan for Services must include the following information: An enumeration and description of services to be provided, the level and range of those services, an indication of how those services are to be extended into the territory, an indication of any improvements or upgrading of structures, Information on how the services are to be financed.

1.2 Preparation of the MSR

Research for this Municipal Service Review (MSR) was conducted during the summer of 2021.

This MSR is intended to support preparation and update of Spheres of Influence, in accordance with the provisions of the Cortese-Knox-Hertzberg Act. The objectives of this Municipal Service Review (MSR) are as follows:

- To develop recommendations that will promote more efficient and higher quality service options and patterns
- To identify areas for service improvement
- To assess the adequacy of service provision as it relates to determination of appropriate sphere boundaries

While LAFCo prepared the MSR document, given budgetary constraints, LAFCo did not engage the services of experts in engineering, hydrology, geology, water quality, fire protection, accounting or other specialists in related fields, but relied upon published reports and available information. Insofar there is conflicting or inconclusive information LAFCo staff may recommend the district retain a licensed professional or expert in a particular field for an opinion.

Therefore, this MSR reflects LAFCo's recommendations, based on available information during the research period and provided by District staff to assist in its determinations related to promoting more efficient and higher quality service patterns; identifying areas for service improvement; and assessing the adequacy of service provision by the Lassen Municipal Utility District. Additional information on local government funding issues in found in Appendix A at the end of this report.

1.3 Role and Responsibility of LAFCo

Local Agency Formation Commissions (LAFCOs) in California are independent agencies created by the California Legislature in 1963 for the purpose of encouraging the orderly formation of local government agencies and conserving and preserving natural resources. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000 et seq.) is the statutory authority for the preparation of an MSR, and periodic updates of the Sphere of Influence (SOI) of each local agency.

LAFCOs are responsible for coordinating logical and timely changes in local governmental boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structure, preparing a review of services called a MSR, and

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preparing a SOI thereby determining the future “probable” boundary for each city and special district within each county.

The Commission's efforts are directed toward seeing that services are provided efficiently and economically while agricultural and open-space lands are protected. Often citizens are confused as to what LAFCo's role is. LAFCos do not have enforcement authority nor do they have the authority to initiate a city or district annexation or detachment proceeding. LAFCos may initiate consolidation or dissolution proceedings; however, these proceedings are subject to the voter approval or denial.

The Legislature has given LAFCos the authority to modify any proposal before it to ensure the protection of agricultural and open space resources, discourage urban sprawl and promote orderly boundaries and the provision of adequate services.

The Governor's Office of Planning and Research (OPR) has issued Guidelines for the preparation of a MSR. This MSR adheres to the procedures set forth in OPR's MSR Guidelines.

A SOI is a plan for the probable physical boundaries and service area of a local agency, as determined by the affected Local Agency Formation Commission (Government Code §56076). Government Code §56425(f) requires that each SOI be updated not less than every five years, and §56430 provides that a MSR shall be conducted in advance of the SOI update.

1.4 Municipal Services Review Requirements

Effective January 1, 2001 and subsequently amended, LAFCo is required to conduct a review of municipal services provided in the county by region, sub-region or other designated geographic area, as appropriate, for the service or services to be reviewed, and prepare a written statement of determination with respect to each of the following six topics (Government Code §56430):

1. Growth and population projections for the affected area
2. The location and characteristics of any disadvantaged unincorporated communities (DUC) within or contiguous to the sphere of influence
3. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies
4. Financial ability of agencies to provide services
5. Status of, and opportunities for shared facilities
6. Accountability for community service needs, including governmental structure and operational efficiencies

An MSR is not subject to any of the CEQA requirements in the Public Resources Code and should not be construed to be a CEQA document.

1.5 Municipal Services Review Process

For local agencies, the MSR process involves the following steps:

1. Outreach: LAFCo outreach and explanation of the project
2. Data Discovery: provide documents and respond to LAFCo questions
3. Map Review: review and comment on LAFCo draft map of the agency's boundary and sphere of influence
4. Profile Review: internal review and comment on LAFCo draft profile of the agency
5. Public Review Draft MSR: review and comment on LAFCo draft MSR
6. LAFCo Hearing: attend and provide public comments on MSR

MSRs are exempt from California Environmental Quality Act (CEQA) pursuant to §15262 (feasibility or planning studies) or §15306 (information collection) of the CEQA Guidelines. LAFCo's actions to adopt MSR determinations are not considered "projects" subject to CEQA. The MSR process does not require LAFCo to initiate changes of organization based on service review findings, only that LAFCo identify potential government structure options.

However, LAFCo, other local agencies, and the public may subsequently use the determinations to analyze prospective changes of organization or reorganization or to establish or amend SOIs. Within its legal authorization, LAFCo may act with respect to a recommended change of organization or reorganization on its own initiative (e.g., certain types of consolidations), or in response to a proposal (i.e., initiated by resolution or petition by landowners or registered voters).

Once LAFCo has adopted the MSR determinations, it must update the SOI for each jurisdiction. The LAFCo Commission determines and adopts the spheres of influence for each agency. A CEQA determination is made by LAFCo on a case-by-case basis for each sphere of influence action and each change of organization, once the proposed project characteristics are sufficiently identified to assess environmental impacts.

1.6 Sphere of Influence Update Process

The Commission is charged with developing and updating the Sphere of Influence (SOI) for each city and special district within the county.¹

An SOI is a LAFCo-approved plan that designates an agency's probable future boundary and service area. Spheres are planning tools used to provide guidance for individual boundary change proposals and are intended to encourage efficient provision of organized community services and prevent duplication of service delivery. Territory cannot be annexed by LAFCo to a city or district unless it is within that agency's sphere.

¹ The initial statutory mandate, in 1971, imposed for no deadline for completing sphere designations. When most LAFCos failed to act, 1984 legislation required all LAFCos to establish spheres of influence by 1985.

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The purposes of the SOI include the following:

- to ensure the efficient provision of services
- to discourage urban sprawl and premature conversion of agricultural and open space lands
- to prevent overlapping jurisdictions and duplication of services

LAFCo may not directly regulate land use, dictate internal operations or administration of any local agency, or set rates. LAFCo is empowered to enact policies that indirectly affect land use decisions. On a regional level, LAFCo promotes logical and orderly development of communities as it considers and decides individual proposals. LAFCo has a role in reconciling differences between agency plans so that the most efficient urban service arrangements are created for the benefit of current and future area residents and property owners.

The Cortese-Knox-Hertzberg (CKH) Act requires LAFCos to develop and determine the SOI of each local governmental agency within its jurisdiction and to review and update the SOI every five years, as necessary. LAFCos are empowered to adopt, update and amend a SOI. They may do so with or without an application. Any interested person may submit an application proposing an SOI amendment.

While SOIs are required to be updated every five years, as necessary, this does not necessarily define the planning horizon of the SOI. The term or horizon of the SOI is determined by each LAFCo.

LAFCo may recommend government reorganizations to particular agencies in the county, using the SOIs as the basis for those recommendations. In determining the SOI, LAFCo is required to complete an MSR and adopt the six determinations previously discussed. In addition, in adopting or amending an SOI, LAFCo must make the following five determinations as required in Government Code section 56425(c):

- Present and planned land uses in the area, including agricultural and open-space lands
- Present and probable need for public facilities and services in the area
- Present capacity of public facilities and adequacy of public service that the agency provides or is authorized to provide
- Existence of any social or economic communities of interest in the area if the Commission determines these are relevant to the agency
- For an update of an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.²

² California Government Code Section 56425 (e)(5)

The CKH Act stipulates several procedural requirements in updating SOIs. It requires cities to file written statements on the class of services to be provided and LAFCo must clearly establish the location, nature and extent of services provided by special districts.

By statute, LAFCo must notify affected agencies 21 days before holding the public hearing to consider the SOI and may not update the SOI until after that hearing. The LAFCo Executive Officer must issue a report including recommendations on the SOI amendments and updates under consideration at least five days before the public hearing.

1.7 Possible Approaches to the Sphere of Influence

LAFCo may recommend government reorganizations to particular agencies in the county, using the SOIs as the basis for those recommendations. Based on review of the guidelines of Lassen LAFCo as well as other LAFCos in the State, various conceptual approaches have been identified from which to choose in designating an SOI. These seven approaches are explained below:

1) Coterminous Sphere:

A Coterminous Sphere means that the Sphere of Influence for a city or special district that is the same as its existing boundaries of the city or district. This is the recommendation in this report since there are no anticipated or contemplated annexations for the District at this time.

2) Annexable Sphere:

A sphere larger than the agency's boundaries identifies areas the agency is expected to annex. The annexable area is outside the district boundaries and inside the sphere of influence.

3) Detachable Sphere:

A sphere that is smaller than the agency's boundaries identifies areas the agency is expected to detach. The detachable area is the area within the agency bounds but not within its sphere of influence.

4) Zero Sphere:

A zero sphere indicates the affected agency's public service functions should be reassigned to another agency and the agency should be dissolved or combined with one or more other agencies.

5) Consolidated Sphere:

A consolidated sphere includes two or more local agencies and indicates the agencies should be consolidated into one agency.

6) Limited Service Sphere:

A limited service sphere is the territory included within the SOI of a multi-service provider agency that is also within the boundary of a limited purpose district which provides the same service (e.g., fire protection), but not all needed services. Territory designated as a limited service SOI may be considered for annexation to the limited purpose agency without detachment from the multi-service provider.

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This type of SOI is generally adopted when the following conditions exist:

- a) The limited service provider is providing adequate, cost effective and efficient services
- b) The multi-service agency is the most logical provider of the other services
- c) There is no feasible or logical SOI alternative
- d) Inclusion of the territory is in the best interests of local government organization and structure in the area

Government Code §56001 specifically recognizes that in rural areas it may be appropriate to establish limited purpose agencies to serve an area rather than a single service provider, if multiple limited purpose agencies are better able to provide efficient services to an area rather than one service district.

Moreover, Government Code Section §56425(i), governing sphere determinations, also authorizes a sphere for less than all of the services provided by a district by requiring a district affected by a sphere action to “establish the nature, location, and extent of any functions of classes of services provided by existing districts” recognizing that more than one district may serve an area and that a given district may provide less than its full range of services in an area.

1.8 Description of the Public Participation Process

The LAFCo proceedings are subject to the provisions of California’s open meeting law, the Ralph M. Brown Act (Government Code Sections 54950 et seq.). The Brown Act requires advance posting of meeting agendas and contains various other provisions designed to ensure that the public has adequate access to information regarding the proceedings of public boards and commissions. Lassen LAFCo complies with the requirements of the Brown Act.

The State MSR Guidelines provide that all LAFCOs should encourage and provide multiple public participation opportunities in the MSR process.

2 LASSEN MUNICIPAL UTILITY DISTRICT COMMUNITY

2.1 Background

Susanville (formerly known as “Rooptown”) is a city in and the county seat of Lassen County. Susanville is located on the Susan River in the southern part of the county, at an elevation of 4,186 feet.

Susanville, a former logging and mining town, is the site of two state prisons: the California Correctional Center, a minimum-medium security facility, which opened in 1963 and will be deactivated on June 30, 2022;³ and the High Desert State Prison, California. The Federal Correctional Institution, Herlong is nearby, having opened in 2001.

In addition to Susanville, the Lassen Municipal Utility District (LMUD) also serves the following areas in Lassen County:

Westwood	Janesville
Johnstonville	Standish and Litchfield
Eagle Lake (Spaulding and Stones-Bengard)	Lake Forest Estates
Wendel	

The northern portion of the Honey Lake Basin, much of the Eagle Lake Basin, the Willow Creek Valley and the Mountain Meadows areas are also included in the 900,000 acre District.

Other electric providers in Lassen County include Pacific Gas and Electric Company, Surprise Valley Electrification Corporation , and Plumas-Sierra Rural Electric Cooperative. A comparison of utility rates is provided in Section 3.8.

2.2 Population Data

The population of Susanville has fluctuated in recent years as follows:

2000	13,541
2010	17,974
2018	15,102
2021	14,826 ⁴⁵

The population of Lassen County has also been estimated to decline in recent years:

Population of California and Lassen County⁶		
	California	Lassen County
Population 2010	37,254,519	34,895
Population 2019	39,512,223	30,573

³ California Correctional Center (CCC) - California Department of Corrections and Rehabilitation, July 8, 2021.

⁴ worldpopulationreview.com/us-cities/Susanville-ca-population, July 8, 2021

⁵ Note: Susanville’s population as well as Lassen County’s population includes incarcerated population also.

⁶ U.S. Census Bureau QuickFacts: Lassen County, California, July 8, 2021.

Median Household Income for California and Lassen County⁷		
	California	Lassen County
Median Household Income	\$75,235	\$56,352

Income below eighty percent of the State Median Household Income (\$60,188) is considered to be designate the poverty level. The Median Household Income for Lassen County is well below the poverty level.

2.3 Service Area

The Lassen Municipal Utility District serves all or portions of the following local agencies:

School Districts:

Janesville School District
 Johnstonville School District
 Lassen Community College
 Lassen Union High School District
 Richmond School District
 Shaffer Union School District
 Susanville School District
 Westwood Unified School District

Fire Protection Providers:

Janesville FPD
 Lake Forest FPD
 Standish-Litchfield FPD
 Susan River FPD
 Susanville City Fire Department

Incorporated City:

City of Susanville

Other Districts:

Honey Lake Resource Conservation District
 Susanville Sanitary District

Community Services Districts:

Leavitt Lake CSD
 Clear Creek CSD
 Westwood CSD
 Stones-Bengard CSD
 Spalding CSD

Joint Powers Authority:

Honey Lake Valley Recreation Authority

⁷ U.S. Census Bureau QuickFacts: Lassen County, California, July 8, 2021.

Lassen Solid Waste Authority
Lassen County Transit Authority

Other

Lassen County Transportation Commission
Lassen County Service Area No. 1

2.4 Existing and Future Growth Land Use Summary

The Lassen County Housing Element 2019 to 2024 states the following:⁸

Based on the average household size in Lassen County of 2.42 persons per household, the implementation of the proposed Housing Element Update has the potential to increase the County's population by approximately 186 if all of the 77 units were new to the County, and all of the residents were also new to the County.

The Lassen County Housing Element only applies to the unincorporated part of Lassen County since the City of Susanville has a separate General Plan and Housing Element. The Lassen County Housing Element predicts that the population in the unincorporated part of the County will decline by 8.82 percent to 14,548 by the year 2050.

⁸ Lassen County, July 2019 Initial Study #2019-001 for Lassen County 2019-2024 Housing Element Update (File #700.05.05), Prepared by: PlaceWorks, Mark Teague, AICP. Associate Principal, 101 Parkshore Drive, Folsom, CA 95630, www.placeworks.com, Page 31.

3 LASSEN MUNICIPAL UTILITY DISTRICT

3.1 Lassen Municipal Utility District Background

The Lassen Municipal Utility District provides the following information about the District on the website:

Voters created Lassen Municipal Utility District (LMUD) in November 1986. Prior to this vote, the Lassen District received electric service from CP National Corporation (CPN). On May 10, 1988, LMUD acquired electrical facilities from CPN.

LMUD's mission is to provide a superior level of service to our customers while providing reliable electric service at a reasonable price. We will perpetuate a long-term business relationship in Lassen County by remaining a good corporate entity in the communities we serve and by maintaining a skilled workforce by providing a safe work environment and fair compensation.⁹

The District is governed by the Municipal Utility District Act of 1921 (California Public Utility Code Section 11500 et seq.). The Act confers upon the District the rights and powers to fix rates and charges for commodities or services furnished, to incur indebtedness and to issue bonds or other obligations.

Unlike a public utility such as the Pacific Gas and Electric Company, LMUD is not subject to regulation or oversight by the California Public Utilities Commission (CPUC). The District is responsible for the acquisition, transmission and distribution of electric power to its service area which includes within its boundaries approximately 50% of Lassen County and approximately 65% of the population of the County (excluding state prison inmates served by the Plumas Sierra Rural Electric Cooperative).

The District currently serves approximately 10,500 meters with 91 miles of transmission line, 9 substations, 425 miles of distribution line and 33 employees.¹⁰

3.2 *LMUD Contact Information*

Contact information for the Lassen Municipal Utility District is as follows:

Website: lmud.org

Phone: [\(530\) 257-4174](tel:5302574174)

Address: 65 S. Roop Street, Susanville, CA 96130

Office Hours: 8:30 am to 4:30 pm, Monday through Friday

E-mail is accessible through the website (LMUD.org) if you have a customer identification number.

⁹ [About Us – Lassen Municipal Utility District \(lmud.org\)](#), July 19, 2021

¹⁰ LMUD, Nicholas A. Dominguez, ndominguez@lmud.org, August 2, 2021.

3.3 LMUD Board of Directors

Lassen Municipal Utility District (LMUD) is a municipal utility district, governed by an elected board of directors. The directors are elected to serve the utility by the people. The LMUD Board is elected at large by the voting public who reside within the LMUD boundaries; meaning that each voter in the district may vote for all of the directors to be elected.

3.3.1 Board Members

Lassen Municipal Utility District is divided into five “wards”. Each ward has one representative or “board member.” Current Board members are as follows:

Ward 1:	Fred Nagel, Treasurer
Ward 2:	H.W. “Bud” Bowden, Director
Ward 3:	Jess Urionaguena, Director
Ward 4:	Daren Hagata, Vice President
Ward 5:	David Ernaga, President

Board members serve a four-year term; there is no limit to how many terms a board member may serve. Candidates for the LMUD board must reside and be registered to vote in the ward in which they are campaigning to represent. The board is the legislative body of the district. They determine the policies by which the district operates.

3.3.2 Board Meetings

The LMUD Board of Directors meet on the fourth Tuesday of each month at 5:30 pm in the LMUD Board Room located at 65 S Roop in Susanville. Board meetings are open to the public, and the public is always given the opportunity to comment on District business.

3.3.3 Administrative Staff

The following list shows the administrative staff for the Lassen Municipal Utility District:

General Manager:	Pat Holley
Administrative Services Manager:	Karen Rollings
Electric Operations Manager:	Cort Cortez
Public Relations Manager:	Theresa Phillips
Business Manager:	Nick Dominguez
Senior Accountant:	Catherine Schroeder
Customer Service Supervisor:	Christina M. Nystrom

3.4 Purchased Power¹¹

The Audit provides the following information regarding the Districts’ power purchase contracts:

¹¹ LMUD, Financial Statements, 2019 and 2020, prepared by MossAdams LLP, Portland Oregon, December 14, 2020, page 20.

The District's power needs are provided through two power purchase contracts with Western Area Power Administration (Western) and a purchased power agreement with Honey Lake Solar in June 2019 at a rate of 0.06445 per kWh. The District expects to receive 19,000,000 kWh from Honey Lake Solar. The Western contracts include a Base Resource contract and a Custom Product contract. Currently, the cost of Western Base Resource power delivered to Westwood is approximately 2.6 cents per kilowatt hour, not including transmission costs.

However, because of the expiration of agreements Western had with PG&E, and PG&E's refusal to renew the agreements, Western no longer provides its "Preferred" customers, (such as the District), with the Contract Rate of Delivery (CRD) 24/7/365. Western can only now deliver to its customers their percentage of what the Central Valley Project (CVP) actually produces at the time of the production, which, since it is from the U.S. Bureau of Reclamation dams, is more abundant in the spring and summer but falls off during the fall and winter. The District's base percentage of Western CVP Project averaged .5832%. For this fiscal year, Base Resource provided 23,072,272 kilowatt hours at an estimated delivered cost of 2.26 cents per kilowatt hour delivered to the Westwood substation.

Additional energy needs are provided by Western under another District/Western Custom Product—Full Load Service contract. On the District's behalf, Western purchases and sells short and long term contracts as needed.

Expenses from the Western agreements, along with associated transmission costs, are charged to purchased power expense on the Statements of revenues, expenses and changes in net position in the period the power is received. The costs, or credits, associated with the energy swap agreements or other arrangements that affect the net cost of purchased power, are recognized in the period in which the underlying power delivery occurs. Adjustments to prior billings are included in purchased power expense once the adjustments can be reasonably estimated.

3.5 Capital Projects¹²

During the 2019-2020 fiscal year the District completed the following large capital projects that will increase service reliability and system efficiency:

NV Energy Interconnect/Skedaddle Substation-Engineering planning estimates have been produced by LMUD's engineering consultants. Field environmental work has been completed including plant life, cultural resources, wildlife, and wetlands by Navigant Consulting and sub-contractors. LMUD has negotiated a contract with NV Energy on the

¹² Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, Management Discussion, pages 8-9.

Transmission Service and Interconnection agreements. That contract was approved by FERC in October 2020.

Accounting and Customer Service Software-*The District has migrated to NISC hosted software for Customer Service and Accounting functions. Customer Service software went live in June 2019. The Accounting software went live in December 2019. The Accounting and Customer Service software is now fully functional.*

Due to the Hog Fire, ten transmission poles were replaced on the 200 line and fifteen poles on the 100 line.

Planned capital projects for fiscal year 2020-2021 include the following:

NV Energy Interconnection/Skedaddle Substation – The CEQA Environmental Impact Report was completed and adopted by the LMUD board in August of 2020. Work will continue on engineering, design, material procurement and construction. The project is expected to be completed in 2023.

Hamilton Mountain Transformer – Install new transformer for the Hamilton Mountain repeater site.

LED Street Light Conversion – Replace old sodium street lights with new LED street lights. The reliability and longevity of the LED lights will decrease maintenance in the future. This is an ongoing project.

SCADA (Supervisory Control and Data Acquisition) – Complete and implement the SCADA system. Purchase and install equipment for communications with remote reclosers.

Richmond Road Pole Replacement – Funds have been budgeted to replace poles on Richmond Road to improve system reliability. This is an ongoing project. Pole replacement southwest of airport on Highway 395. Sixteen aging poles will be replaced. Expected completion by June 2021. Pole replacement Main Street Janesville. Fifteen aging poles will be replaced. Expected completion by June 2021.

NISC Projects Remaining: Migrate to Mapwise software that will replace Trimble for GIS function. Outage Management System that integrates with GIS, CiS, and CRC to better track and respond to outages. Implement NISC AppSuite via iPads to all staff and crew. This will allow workers to be more efficient when outside the office.

Backup Server Room: Additional server room in the Service Center warehouse that will house live “hot” backups of critical IT equipment to help increase system reliability. Implement Drone inspection program for inspection of plant assets and vegetation management.

3.6 Budget and Audit

The Budget shown below provides an overview of the LMUD budget in recent years. Additional information regarding improvements can be found in Appendix B at the end of this report.

Lassen Municipal Utility District Revenue and Expense budget Plan-Summary Fiscal Year July 1, 2020 through June 30, 2021				
	Actual 2017-2018	Actual 2018-2019	Projected 2019-2020	Draft 2020-2021
Operating Revenues:				
Sales to Customers	19,574,878	20,151,347	21,329,517	20,613,800
Other Operating Income	1,202,160	1,146,013	1,508,555	2,439,700
Total Operating Revenues	20,777,037	21,297,360	22,838,072	23,053,500
Operating Expenses:				
Purchased Power	9,269,365	11,157,839	10,092,725	12,433,900
Transmission	42,809	5,123	75,542	39,000
Operations	1,596,182	1,495,226	1,485,290	1,585,470
Maintenance	1,045,206	1,475,423	1,003,580	1,303,425
Customer Service	1,060,533	1,054,903	1,026,147	1,081,350
Public Benefits	471,212	506,142	415,217	640,300
General and Administrative	2,080,474	2,333,230	2,351,602	2,328,270
Total Board Compensation and Benefits	162,538	176,777	208,504	296,075
Depreciation	1,689,166	1,782,218	2,100,147	2,152,700
Total Operating Expense	17,417,485	19,986,880	18,758,654	21,860,490
Income (Loss) from Operations	3,359,552	1,310,480	4,079,417	1,193,010
Interest Expense	-	-	-	(755,900)
Interest Income	174,633	386,914	362,340	371,400
Capital Gains (Loss)	(18,167)	55,289	167,062	171,200
Other Income	149,212	2,041,027	149,940	55,900
Rental Income	24,989	21,452	8,533	18,200
Total other Income (Expense)	330,667	2,486,682	687,876	(139,200)
Net Contribution to Margins	3,690,219	3,797,162	4,767,293	1,053,810
Add back non cash elements included above				
Depreciation Included Above	1,689,166	1,782,218	2,100,147	2,152,700
Amortization of Debt Acquisition Costs	-	-	-	375,000
Expected Contribution to Cash	\$5,379,385	\$5,579,380	\$6,867,440	\$3,581,510

The Audit includes numerous tables and can be found in Appendix B at the end of this report. The Audit notes the following:

Revenues and expenses: The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are billings to customers based on meter readings and flat fee arrangements. Meters are read on a cycle basis throughout each month and the District has adopted the policy of recording an estimate of revenue earned but no billed to customers at year end.

Unbilled accounts receivable at June 30, 2020 and 2019 totaled \$1,039,175 and \$889,174, respectively. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.¹³

3.7 Public Service

The 2020 Audit for LMUD states the following:¹⁴

Effective January 1, 1998, Assembly Bill 1890 requires all non-investor owned utility Districts to commit 2.85% of their annual energy related sales for public benefit programs. The District has and will spend these funds on conservation, education, energy assistance programs, weatherization programs and other public projects.

For the fiscal year ended June 30, 2020, the District's had a commitment to spend \$492,063 for public benefit programs. As of June 30, 2020 the district's unspent reserve for these programs was \$183,302.

The Lassen Municipal Utility describes recent public benefit programs on the website as follows:

Lassen Municipal Utility District (LMUD) is an integral part of the community we serve. Through the years we have participated in a variety of community projects.

¹³ LMUD, Financial Statements, 2019 and 2020, prepared by MossAdams LLP, Portland Oregon, December 14, 2020, page 19.

¹⁴ LMUD, Financial Statements, 2019 and 2020, prepared by MossAdams LLP, Portland Oregon, December 14, 2020, page 35.

LMUD's Public Benefits "Community Projects" program provides funding to non-profit and other community organizations for projects that fall into one or more of the following categories:

- *Energy Efficiency*
- *Low-Income Assistance*
- *Research and Development into emerging technologies*
- *Renewable Energy*

Projects must be submitted in writing to the Public Relations Manager. Eligible projects may receive funding of up to half of the total cost of the project (not to exceed \$25,000).

Past Projects include the following:

- *Energy Efficient Lighting at the Lassen Senior Center*
- *Ground Source Heat Pump at the Historic Railroad Depot*
- *LED Scoreboard for the Lassen High School Football Field*
- *LED Lighting for the Community Christmas Tree¹⁵*

2.8 Electric Rate Comparison

LMUD has a 2021 rate 0.14 for each Kilowatt hour (kwh). Comparing rates with other electric utility providers LMUD is more or less in the middle in comparing rates. Rate comparisons are very difficult since there are many factors that contribute to the establishment of a rate. For example, LMUD is a California Independent Special District, the Surprise Valley and PSREC are Rural Electric Cooperatives, PG&E is a public utility regulated by the Public Utility Commission each governed under a different set of laws and regulations. Other factors include costs of energy supply, personnel costs, condition of the utility equipment energy costs for example. The chart below is an annual electric rate comparison prepared by LUMD showing its costs in comparison to other local electrical providers. The chart uses a 800kwh monthly residential user rate and concludes with a monthly comparison cost.

¹⁵ LMUD, [Public Benefits Community Projects – Lassen Municipal Utility District \(lmud.org\)](https://www.lmud.org), July 8, 2021.

Lassen LAFCo
Lassen Municipal Utility District
MSR and SOI Adopted Feb 14, 2022

Utility	kWh Charge in Cents (Residential)	800 kwh	Misc & Public Benefits Charges	Meter/Customer Charge	Total cost 1000 kWh
Surprise Valley	0.085	\$68.00	\$0.00	\$15.00	\$83.00
TDPUD	0.132	\$105.00	\$0.00	\$16.55	\$123.55
LMUD	0.14	\$112.00	\$0.00	\$30.00	\$142.00
PSREC	0.1478	\$118.00	\$4.61	\$34.99	\$157.60
Redding Electric	0.1528	\$122.00	\$0.00	\$15.00	\$137.00
NV Energy	0.08906	\$71.56	\$0.00	\$15.25	\$86.81
PG&E (Redd and TOU rate average)	0.35	\$280.00	\$10.29	\$9.85	\$300.14

Please note: Information based on most recent rate information available. TDPUD and REU absorb the Public Benefits charge into their rate base. Surprise Valley does not collect the California Public Benefits charge. PSREC adds a 3.9% line item for Public Benefits. PG&E adds a 4.2% line item for "Public Purpose Programs." This figure fluctuates based on the utilities annual sales. It is adjusted yearly. PG&E charges a "Delivery Minimum Bill Amount" of \$0.32854 per day. Above amount is based on a 30 day billing period.

Please note: LMUD has previously used the "1,000 kWh" per month average for residential customers. As part of this rate comparison update the average was reassessed with the most current information and found to be closer to 800 kWh per month.

Surprise Valley Electric Corporation = www.surprisevalleyelectric.org
TDPUD = Truckee Donner Public Utility District www.tdpud.org
LMUD = Lassen Municipal Utility District = www.lmud.org
PSREC = Plumas Sierra Rural Electric Coop = www.psrec.com
Redding Electric = www.2.reupower.com
NV Energy = www.nvenergy.com
PG&E = Pacific Gas and Electric. www.pge.com

4 LASSEN MUNICIPAL UTILITY DISTRICT MUNICIPAL SERVICE REVIEW

4.1 Growth and Population Projections for the Lassen Municipal Utility District Area¹⁶

Purpose: To evaluate service needs based on existing and anticipated growth patterns and population projections.

4.1.1 Lassen Municipal Utility District Area Population Projections

The Lassen Municipal Utility District does not publish population projections for the District. The population of Lassen County is expected to decline slowly as is the population of the City of Susanville. Population decline could be hastened if the California Correctional Center near Susanville is closed (albeit not served by LMUD) as planned in June 2022. This would decrease the number of jobs in the area by over 1,000 jobs.¹⁷

4.1.2 MSR Determinations on Growth and Population Projections for the Lassen Municipal Utility District Area

MSR 1-1) Population in the Lassen Municipal Utility District Area may decline slowly over time but it is more likely that any population increases in Lassen County will occur in areas served by LMUD.

4.2 Location and Characteristics of any Disadvantaged Unincorporated Communities (DUC) within or Contiguous to Lassen Municipal Utility District¹⁸

Purpose: To comply with the State Law to examine any unincorporated areas which could be provided with better services by annexing to an adjacent city.

4.2.1 Determination of Lassen Municipal Utility District Area Disadvantaged Unincorporated Community Status

SB 244 defines disadvantaged unincorporated community as any area with 12 or more registered voters, or as determined by commission policy, where the median household income is less than 80 percent of the statewide annual median.

SB 244 also requires LAFCos to consider disadvantaged unincorporated communities when developing spheres of influence. Upon the next update of a sphere of influence on or after July 1, 2012, SB 244 requires LAFCo to include in an MSR (in preparation of a sphere of influence update):

- 1) *The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere; and*

¹⁶ California Government Code Section 56430. (a) (1)

¹⁷ California Correctional Center (CCC) - California Department of Corrections and Rehabilitation, July 8, 2021.

¹⁸ California Government Code Section 56430. (a) (2)

- 2) *The present and planned capacity of public facilities, adequacy of public services and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated community within or contiguous to the sphere of influence.*

Median Household Income for California and Lassen County¹⁹		
	California	Lassen County
Median Household Income	\$75,235	\$56,352

Income below eighty percent of the State Median Household Income (\$60,188) is considered to be a disadvantaged community. The Median Household Income for Lassen County indicates Lassen County to be a Disadvantaged Community as a whole.

4.2.2 MSR Determinations on Disadvantaged Unincorporated Communities near Lassen Municipal Utility District

- MSR 2-1) The Median Household Income for Lassen County is below the poverty level so the District is considered to be “Disadvantaged”.

4.3 Capacity and Infrastructure

Purpose: To evaluate the present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.²⁰

4.3.1 Infrastructure

The Lassen Municipal Utility District currently serves approximately 10,500 meters with 91 miles of transmission line, 9 substations, 425 miles of distribution line and 33 employees.²¹

4.3.2 MSR Determinations on Infrastructure for Lassen Municipal Utility District

- MSR 3-1) The infrastructure for the Lassen Municipal Utility District is adequate and adequately maintained as shown in the Annual Audit Report.

¹⁹ U.S. Census Bureau QuickFacts: Lassen County, California, July 8, 2021.

²⁰ California Government Code Section 56430. (a) (3)

²¹ LMUD, Nicholas A. Dominguez, ndominguez@lmud.org, August 2, 2021.

4.4 Financial Ability to Provide Services²²

Purpose: To evaluate factors that affect the financing of needed improvements and to identify practices or opportunities that may help eliminate unnecessary costs without decreasing service levels.

4.4.1 Financial Considerations for Lassen Municipal Utility District

The financial information for the Lassen Municipal Utility District is shown in the budget and audit which are part of this report. The District has adequate means to maintain the equipment and provide the service of supplying electrical power to the customers.

4.4.2 MSR Determinations on Financing for Lassen Municipal Utility District

MSR 4-1) The Lassen Municipal Utility District has adequate resources to provide the service and financial records, such as the audit, are available on the District website.

MSR 4-2) The Lassen Municipal Utility District is affected by many State and Federal laws and regulations which affect availability and pricing of power to the customers.

4.5 Status of and Opportunities for Shared Facilities²³

Purpose: To evaluate the opportunities for a jurisdiction to share facilities and resources to develop more efficient service delivery systems.

4.5.1 Facilities

The facilities of the Lassen Municipal Utility District are described above in this report. The District coordinates with other utilities in the area as needed. The District states the following on the website:

Lassen Municipal Utility District (LMUD) encourages the development of renewable energy projects in our service territory. Renewable energy developers who wish to propose projects in excess of one megawatt are subject to LMUD's Open Access Transmission Tariff (OATT).²⁴

4.5.2 MSR Determinations on Shared Facilities for Lassen Municipal Utility District

MSR 5-1) The Lassen Municipal Utility District works with individuals and other service providers as much as possible.

²² California Government Code Section 56430. (a) (4)

²³ California Government Code Section 56430. (a) (5)

²⁴ [Renewable Energy Projects – Lassen Municipal Utility District \(lmud.org\)](https://www.lmud.org), October 4, 2021.

4.6 Accountability for Community Service Needs, Government Structure and Operational Efficiencies²⁵

Purpose: To consider the advantages and disadvantages of various government structures that could provide public services, to evaluate the management capabilities of the organization and to evaluate the accessibility and levels of public participation associated with the agency's decision-making and management processes.

4.6.1 Government Structure

The Lassen Municipal Utility District has an elected Board of Directors and adequate management and maintenance staff. The Board of Directors holds public meetings and the District maintains a website as required by the State law. The District cooperated with Lassen LAFCo to provide information for this report.

4.6.2 MSR Determinations on Local Accountability and Governance

- MSR 6-1) LMUD Directors and Staff are knowledgeable regarding the extensive laws and operating procedures for a Municipal Utility District.
- MSR 6-2) The LMUD Board of Directors meets regularly and holds meetings at a time and place that is convenient for the general public.
- MSR 6-3) Adequate Public Notice is provided for all LMUD Board meetings or other important meetings.
- MSR 6-4) The LMUD complies with the State and Federal laws regarding energy production and distribution.
- MSR 6-5) The District cooperated with Lassen LAFCo to provide information for this report.

²⁵ California Government Code Section 56430. (a) (6).

5 LASSEN MUNICIPAL UTILITY DISTRICT SPHERE OF INFLUENCE UPDATE

5.1 Recommendation for Lassen Municipal Utility District Sphere of Influence

The recommendation for the Lassen Municipal Utility District Sphere of Influence is that the Sphere of Influence be the same as the District Boundary. This means that if any changes were proposed, additional study would be required to prepare a new MSR and to change the Sphere of Influence.

5.2 Present and Planned Land Uses in the Lassen Municipal Utility District Area, Including Agricultural and Open Space Lands²⁶

5.2.1 Lassen County General Plan and Zoning for Lassen Municipal Utility District SOI Area

The majority of the area within LMUD is covered by the Lassen County General Plan. The area within the City of Susanville is covered by the Susanville General Plan. The County and the City are not expecting significant growth and development. Rather, the population of the area is in a slight decline.

5.2.2 SOI Determinations on Present and Planned Land Use for Lassen Municipal Utility District Area

SOI 1-1] The present and planned land uses for the area within the LMUD area are regulated by the County of Lassen and the City of Susanville. Few changes are anticipated and the population of the County is expected to decline slowly.

5.3 Present and Probable Need for Public Facilities and Services in the Lassen Municipal Utility District Area²⁷

5.3.1 Municipal Service Background

The Lassen Municipal Utility District serves approximately 10,500 meters with 91 miles of transmission line, 9 substations, 425 miles of distribution line and 33 employees.²⁸

5.3.2 SOI Determinations on Facilities and Services Present and Probable Need for Lassen Municipal Utility District

SOI 2-1] The Lassen Municipal Utility District has adequate facilities to provide services for the present and future needs of the District.

5.4 Present Capacity of Public Facilities Present and Adequacy of Public Services²⁹

5.4.1 Capacity Background

The capacity of LMUD facilities is adequate for present and future needs. The electrical service provided is adequate.

²⁶ California Government Code Section 56425 (e) (1)

²⁷ California Government Code Section 56425 (e) (2)

²⁸ Lassen Municipal Utility District, Nicholas A. Dominguez, ndominguez@lmud.org, August 2, 2021.

²⁹ California Government Code Section 56425 (e) (3)

5.4.2 SOI Determinations on Public Facilities Present and Future Capacity for Lassen Municipal Utility District

SOI 3-1] The Lassen Municipal Utility District has adequate facilities to serve the present and future population of the District.

5.5 Social or Economic Communities of Interest for Lassen Municipal Utility District³⁰

5.5.1 Lassen Municipal Utility District Community Background

It is difficult for LMUD to maintain a community spirit since the District includes several communities and also because many people take the availability of electrical service for granted. The District donates funds to various community projects which helps to promote community awareness and identity.³¹

5.5.2 SOI Determinations on Social or Economic Communities of Interest for Lassen Municipal Utility District

SOI 4-1] The Lassen Municipal Utility District promotes community identification through the “Community Projects” program which has helped to fund the following projects in the recent past:³²

- *Energy Efficient Lighting at the Lassen Senior Center*
- *Ground Source Heat Pump at the Historic Railroad Depot*
- *LED Scoreboard for the Lassen High School Football Field*
- *LED Lighting for the Community Christmas Tree*

5.6 Disadvantaged Unincorporated Community Status³³

5.6.1 Disadvantaged Unincorporated Communities

Median Household Income for California and Lassen County³⁴		
	California	Lassen County
Median Household Income	\$75,235	\$56,352

Income below eighty percent of the State Median Household Income (\$60,188) is considered to designate the poverty level. The Median Household Income for Lassen County is well below the poverty level.

5.6.2 Lassen Municipal Utility District Disadvantaged Unincorporated Community Status

SOI 5-1) The Median Household Income for Lassen County is below the poverty level so the District is considered to be “Disadvantaged”.

³⁰ California Government Code Section 56425 (e) (4)

³¹ [Public Benefits Community Projects – Lassen Municipal Utility District \(lmud.org\)](https://www.lmud.org/public-benefits-community-projects), October 11, 2021.

³² [Public Benefits Community Projects – Lassen Municipal Utility District \(lmud.org\)](https://www.lmud.org/public-benefits-community-projects), October 11, 2021.

³³ California Government Code Section 56425 (e) (5)

³⁴ U.S. Census Bureau QuickFacts: Lassen County, California, July 8, 2021.

APPENDIX A LOCAL GOVERNEMENT FUNDING ISSUES

1 Municipal Financial Constraints

Municipal service providers are constrained in their capacity to finance services by the inability to increase property taxes, requirements for voter approval for new or increased taxes, and requirements of voter approval for parcel taxes and assessments used to finance services. Municipalities must obtain majority voter approval to increase or impose new general taxes and two-thirds voter approval for special taxes.

Limitations on property tax rates and increases in taxable property values are financing constraints. Property tax revenues are subject to a formulaic allocation and are vulnerable to State budget needs. Agencies formed since the adoption of Proposition 13 in 1978 often lack adequate financing.

1.1 California Local Government Finance Background

The financial ability of the cities and special districts to provide services is affected by financial constraints. City service providers rely on a variety of revenue sources to fund city operating costs as follows:

- Property Taxes
- Benefit Assessments
- Special Taxes
- Proposition 172 Funds
- Other contributions from city or district general funds.

As a funding source, property taxes are constrained by statewide initiatives that have been passed by voters over the years and special legislation. Seven of these measures are explained below:

A. Proposition 13

Proposition 13 (which California voters approved in 1978) has the following three impacts:

- Limits the ad valorem property tax rate
- Limits growth of the assessed value of property
- Requires voter approval of certain local taxes.

Generally, this measure fixes the ad valorem tax at one percent of value; except for taxes to repay certain voter approved bonded indebtedness. In response to the adoption of Proposition 13, the Legislature enacted Assembly Bill 8 (AB 8) in 1979 to establish property tax allocation formulas.

B. AB 8

Generally, AB 8 allocates property tax revenue to the local agencies within each tax rate area based on the proportion each agency received during the three fiscal years preceding adoption of Proposition 13. This allocation formula benefits local agencies, which had relatively high tax rates at the time Proposition 13 was enacted.

C. Proposition 98

Proposition 98, which California voters approved in 1988, requires the State to maintain a minimum level of school funding. In 1992 and 1993, the Legislature began shifting billions

of local property taxes to schools in response to State budget deficits. Local property taxes were diverted from local governments into the Educational Revenue Augmentation Fund (ERAF) and transferred to school districts and community college districts to reduce the amount paid by the State general fund.

Local agencies throughout the State lost significant property tax revenue due to this shift. Proposition 172 was enacted to help offset property tax revenue losses of cities and counties that were shifted to the ERAF for schools in 1992.

D. Proposition 172

Proposition 172, enacted in 1993, provides the revenue of a half-cent sales tax to counties and cities for public safety purposes, including police, fire, district attorneys, corrections and lifeguards. Proposition 172 also requires cities and counties to continue providing public safety funding at or above the amount provided in FY 92-93.

E. Proposition 218

Proposition 218, which California voters approved in 1996, requires voter- or property owner-approval of increased local taxes, assessments, and property-related fees. A two-thirds affirmative vote is required to impose a Special Tax, for example, a tax for a specific purpose such as a fire district special tax.

However, majority voter approval is required for imposing or increasing general taxes such as business license or utility taxes, which can be used for any governmental purpose. These requirements do not apply to user fees, development impact fees and Mello-Roos districts.

F. Mello-Roos Community Facilities Act

The Mello-Roos Community Facilities Act of 1982 allows any county, city, special district, school district or joint powers authority to establish a Mello-Roos Community Facilities District (a "CFD") which allows for financing of public improvements and services. The services and improvements that Mello-Roos CFDs can finance include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums and other cultural facilities. By law, the CFD is also entitled to recover expenses needed to form the CFD and administer the annual special taxes and bonded debt.

A CFD is created by a sponsoring local government agency. The proposed district will include all properties that will benefit from the improvements to be constructed or the services to be provided. A CFD cannot be formed without a two-thirds majority vote of residents living within the proposed boundaries. Or, if there are fewer than 12 residents, the vote is instead conducted of current landowners.

In many cases, that may be a single owner or developer. Once approved, a Special Tax Lien is placed against each property in the CFD. Property owners then pay a Special Tax each year.

If the project cost is high, municipal bonds will be sold by the CFD to provide the large amount of money initially needed to build the improvements or fund the services. The Special Tax cannot be directly based on the value of the property. Special Taxes instead are based on mathematical formulas that take into account property characteristics such

as use of the property, square footage of the structure and lot size. The formula is defined at the time of formation, and will include a maximum special tax amount and a percentage maximum annual increase.

If bonds were issued by the CFD, special taxes will be charged annually until the bonds are paid off in full. Often, after bonds are paid off, a CFD will continue to charge a reduced fee to maintain the improvements.

G. Development Impact Fees

A county, cities, special districts, school districts, and private utilities may impose development impact fees on new construction for purposes of defraying the cost of putting in place public infrastructure and services to support new development.

To impose development impact fees, a jurisdiction must justify the fees as an offset to the impact of future development on facilities. This usually requires a special financial study. The fees must be committed within five years to the projects for which they were collected, and the district, city or county must keep separate funds for each development impact fee.

1.2 Financing Opportunities that Require Voter Approval

Financing opportunities that require voter approval include the following five taxes:

1. Special taxes such as parcel taxes
2. Increases in general taxes such as utility taxes
3. Sales and use taxes
4. Business license taxes
5. Transient occupancy taxes

Communities may elect to form business improvement districts to finance supplemental services, or Mello-Roos districts to finance development-related infrastructure extension. Agencies may finance facilities with voter-approved (general obligation) bonded indebtedness.

1.3 Financing Opportunities that Do Not Require Voter Approval

Financing opportunities that do not require voter approval include imposition of or increases in fees to more fully recover the costs of providing services, including user fees and Development Impact Fees to recover the actual cost of services provided and infrastructure.

Development Impact Fees and user fees must be based on reasonable costs, and may be imposed and increased without voter approval. Development Impact Fees may not be used to subsidize operating costs. Agencies may also finance many types of facility improvements through bond instruments that do not require voter approval.

Water rates and rate structures are not subject to regulation by other agencies. Utility providers may increase rates annually, and often do so. Generally, there is no voter approval requirement for rate increases, although notification of utility users is required. Water providers must maintain an enterprise fund for the respective utility separate from other funds, and may not use revenues to finance unrelated governmental activities.

2 Public Management Standards

While public sector management standards do vary depending on the size and scope of an organization, there are minimum standards. Well-managed organizations do the following eight activities:

1. Evaluate employees annually.
2. Prepare a budget before the beginning of the fiscal year.
3. Conduct periodic financial audits to safeguard the public trust.
4. Maintain current financial records.
5. Periodically evaluate rates and fees.
6. Plan and budget for capital replacement needs.
7. Conduct advance planning for future growth.
8. Make best efforts to meet regulatory requirements.

Most of the professionally managed and staffed agencies implement many of these best management practices. LAFCo encourages all local agencies to conduct timely financial record-keeping for each city function and make financial information available to the public.

3 Public Participation in Government

The Brown Act (California Government Code Section 54950 et seq.) is intended to insure that public boards shall take their actions openly and that deliberations shall be conducted openly.

The Brown Act establishes requirements for the following:

- Open meetings
- Agendas that describe the business to be conducted at the meeting
- Notice for meetings
- Meaningful opportunity for the public to comment

Few exceptions for meeting in closed sessions and reports of items discussed in closed sessions.

According to California Government Section 54959:

Each member of a legislative body who attends a meeting of that legislative body where action is taken in violation of any provision of this chapter, and where the member intends to deprive the public of information to which the member knows or has reason to know the public is entitled under this chapter, is guilty of a misdemeanor.

Section 54960 states the following:

(a) The district attorney or any interested person may commence an action by mandamus, injunction or declaratory relief for the purpose of stopping or preventing violations or threatened violations of this chapter by members of the legislative body of a local agency or to determine the applicability of this chapter to actions or threatened future action of the legislative body

APPENDIX B AUDIT

Statements of Net Position present information on assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial condition of LMUD is improving or deteriorating.

LASSEN MUNICIPAL UTILITY DISTRICT CONDENSED STATEMENT OF NET POSITION³⁵			
	2020	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current, other assets	\$29,145,390	\$25,277,655	\$25,337,819
Deferred outflows of resources	2,244,708	396,623	474,505
Utility plant (net of accumulated depreciation)	39,492,220	39,606,560	35,460,152
Total assets and deferred outflows of resources	\$70,882,318	\$65,280,838	\$61,272,476
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities			
Non-current liabilities	4,749,724	2,779,650	2,757,766
Current liabilities	2,482,456	2,455,894	2,572,341
Total liabilities	7,232,180	5,235,544	5,330,107
Deferred inflows of resources	2,857,218	3,491,079	3,184,947
Net position			
Investment in capital assets	39,492,220	29,606,560	35,460,152
Restricted	-	294,605	287,334
Unrestricted	21,300,700	16,653,050	17,009,936
Total net position	60,792,920	56,554,215	52,757,422
Total liabilities, deferred inflows of resources, and net position	\$70,882,318	\$65,280,838	\$61,272,476

Management Note:

LMUD's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$60,792,920 at the close of Fiscal Year 2020. This represents an increase from Fiscal Year 2019 of \$4,238,705. The financial position of LMUD remains a balance between liquidity and "investing" in the infrastructure of LMUD's electric system (e.g., maintaining, expanding, replacing, upgrading, etc.), which management believes is a necessary business practice to help ensure reliability.

A portion of LMUD's Net Position totaling \$39,492,220, or 64.9% reflects its investment in "Capital Assets," such as transmission and distribution facilities, less any related debt used to acquire such assets that remained

³⁵ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, Management Discussion, page 5.

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outstanding as of the close of FY20. At the close of FY w0 there was no debt related to the acquisition of assets. LMUD uses these capital assets to provide services to its customers.

The “unrestricted” portion of LMUD’s Net Position for FY 20 is \$21,300,700, or 35% of total Net Position. This portion may be used to meet LMUD’s ongoing obligations to creditors and customers. LMUD’s Board of Directors has designated \$13,484,071 of the “unrestricted” Net Position (i.e., cash) to help insulate the District from unforeseen expenses as well as for planned future system facilities.

Lassen Municipal Utility District’s Capital Assets³⁶			
	2020	2019	2018
Land and land rights	\$1,161,616	\$1,161,616	\$1,098,116
Transmission	3,130,720	3,131,313	3,110,780
Distribution	44,810,644	41,007,721	39,570,315
General and construction work in progress	9,697,533	12,176,121	8,755,137
Total capital assets	58,800,513	57,476,771	52,554,348
Less: accumulated depreciation	(19,308,293)	(17,870,211)	(17,094,196)
Net capital assets	\$39,492,220	\$39,606,560	\$35,460,152

LMUD’s total net investment in capital assets as of June 30, 2020 amounted to \$39,492,220 (including construction work in progress and net of accumulated depreciation). This includes investment in transmission and distribution related infrastructure, as well as general items such as buildings, office equipment, vehicles, etc. During the course of the year, the net change in capital assets, including improvements to LMUD’s infrastructure, was a decrease of \$114,340.

³⁶ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, Management Discussion, page 6.

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The following statement presents information showing how Net Position changed between Fiscal Year 2020, 2019 and 2018. Results of LMUD's operations are reported as the underlying events occur, regardless of the timing of cash flows. This means LMUD's revenues and expenses are reported in the financial statements for some items that will result in cash flows in a future period, but not the current period. This is called the "accrual" basis of accounting.³⁷

Lassen Municipal Utility District			
Condensed Statements of Revenues, Expenses, and Changes in Net Position³⁸			
	2020	2019	2018
Revenue (all sources)			
Operating revenues	\$20,779,569	\$20,125,572	\$19,574,880
Other operating revenues	318,107	384,519	419,326
Non-operating revenues	1,658,423	3,273,764	1,113,501
Total Revenues	22,756,099	23,783,852	21,107,707
Expenses (all sources)			
Purchased power	9,635,848	11,157,838	9,269,365
Operations and maintenance	2,636,741	2,975,961	2,684,197
Customer services	1,432,413	1,561,052	1,531,745
Administrative and general	2,913,471	2,509,990	2,243,012
Depreciation	1,898,921	1,782,218	1,689,166
Total Expenses	18,517,394	19,987,059	17,417,485
Increase in net position	4,238,705	3,796,793	3,690,222
Cumulative effect of change in accounting principle	-	-	(2,942,532)
NET POSITION, beginning of year	56,554,215	52,757,422	52,009,732
NET POSITION, end of year	\$60,792,920	\$56,554,215	\$52,757,422

LMUD's Net Position increased \$4,238,705 during FY 2020. Primary sales to customers experienced an increase of \$653,997 from FY 2019. LMUD's expenses decreased \$1,469,665 during FY 2020 mostly due to a decrease in purchased power costs.

The following tables were prepared by the independent auditor for the Lassen Municipal Utility District.

³⁷ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, Management Discussion, page 7.

³⁸ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, Management Discussion, page 7.

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Lassen Municipal Utility District Statements of Net Position ASSETS³⁹		
	June 30,	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$7,210,948	\$3,778,178
Accounts receivable, net of allowance for uncollectible accounts*	2,184,312	2,252,942
Interest Receivable	75,000	75,000
Inventories		
Emission allowances**	2,784,326	3,164,392
Materials and supplies***	787,144	689,055
Prepaid expenses and other assets****	1,588,134	1,937,891
Total current assets	14,629,864	11,897,458
NON-CURRENT ASSETS		
Restricted assets		
Assembly Bill 32 Fund	-	294,605
Public Benefit Fund	183,302	66,099
Other assets		
Board designated cash reserves	1,500,000	1,500,000
Construction fund	11,984,071	10,788,969
Preliminary survey and investigation	848,153	730,524
Capital assets		
Utility plant, net of accumulated depreciation	37,904,977	35,106,966
Construction work in progress	1,587,243	4,499,594
Total non-current assets	54,007,746	52,986,757
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related deferrals	2,244,708	396,623
Total deferred outflows	2,244,708	396,623
Total assets and deferred outflows of resources	\$70,882,318	\$65,280,838

*Accounts receivable: The majority of the District's receivables are due from companies, businesses and individuals in areas served by the District. An allowance for uncollectible accounts is maintained for the District. The balance in this account is adjusted each month to include customer accounts and other receivables greater than 90 days delinquent. ⁴⁰

**Emission allowance inventory: The District receives carbon emission allowances from the California Air Resources Board (CARB) under cap-and-trade regulations created by California Assembly Bill 32. Emission allotments received from the CARB are placed for auction and sold. Inventory balances are tracked by vintage year and priced at market value based on the most recent quarterly auction at the end of the fiscal year.

***Materials and supplies inventory: Materials and supplies inventory is used for internal improvements and maintenance and not held for resale. Inventory is stated at cost and determined on a weighted average cost basis. The District accounts for this inventory using a perpetual inventory system and conducts a physical inventory count at each year end. ⁴¹

³⁹ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 10.

⁴⁰ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 16.

⁴¹ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 17.

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****Prepaid expenses: The District's prepaid expenses consist mainly of prepaid purchased power, operation and maintenance amounts to Western Area Power Administration and insurance premiums for the upcoming fiscal year. ⁴²

Lassen Municipal Utility District Statements of Net Position LIABILITIES⁴³		
	June 30,	
	2020	2019
CURRENT LIABILITIES		
Accounts payable	\$536,785	\$562,475
Purchased power payable	689,969	876,738
Customer deposits	433,235	430,283
Public benefit payable-restricted	1483,302	66,099
Other payables and accrued liabilities	88,326	41,145
Accrued compensation and related costs	144,753	110,480
Pension plan payable	20,487	12,245
Accrued leave	385,599	356,429
Total current liabilities	2,482,456	2,455,894
NON-CURRENT LIABILITIES		
Net OPEB* liability	4,638,470	2,619,087
Accrued sick leave	111,254	160,563
Total non-current liabilities	4,749,724	2,779,650
Total liabilities	7,232,180	5,235,544
DEFERRED INFLOWS OF RESOURCES**		
Unearned revenue-emission allowances	2,857,218	3,491,079
NET POSITION		
Net investment in capital assets	39,492,220	39,606,560
Restricted Assembly Bill 32 Fund	-	294,605
Unrestricted	21,300,700	16,653,050
Total net position	60,792,920	56,554,215
Total liabilities, deferred inflows of resources, and net position	\$701,882,318	\$65,280,838

*OPEB is Other Post-Employment Benefits: For purposes of measuring the net OPEB liability, outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense of the District, information about California Employers' Retirement Benefits Trust (CERBT) fund and additions to/deductions from District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Deferred inflows of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time. ⁴⁴

⁴² Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 17.

⁴³ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 11.

⁴⁴ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 18.

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Lassen Municipal Utility District		
Statements of Revenues, Expenses, and Changes in Net Position⁴⁵		
	Years Ended June 30	
	2020	2019
OPERATING REVENUES		
Domestic	\$12,066,546	\$11,558,171
Commercial	6,682,464	6,888,071
Industrial	842,273	687,547
Agricultural	1,017,003	828,519
Public Street Lighting	103,424	98,152
Area Lighting	67,859	65,112
Other operating revenues	318,107	384,516
Total operating revenues	\$21,097,676	\$20,510,088
OPERATING EXPENSES		
Purchased power	9,635,848	11,157,838
Operations and maintenance	2,636,741	2,975,961
Customer services	1,432,413	1,561,052
Administration and general	2,913,471	2,509,990
Depreciation	1,898,921	1,782,218
Total operating expenses	18,517,394	19,987,059
Operating income	2,580,282	523,029
NONOPERATING REVENUES		
Investment income	425,646	424,203
Miscellaneous Nonoperating Income	333,623	2,062,290
Gain on disposal of fixed assets	22,328	
Gain on sale of emission allowances	876,826	787,271
Nonoperating Total Revenues	1,658,423	3,273,764
CHANGE IN NET POSITION*	4,238,705	3,796,793
NET POSITION-beginning of year	56,554,215	52,757,422
NET POSITION-end of year	\$60,792,920	\$56,554,215

*Net position is classified into three components—net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:⁴⁶

Net investment in capital assets: This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted: This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants),

⁴⁵ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 12.

⁴⁶ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 19.

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grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position consists of net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use unrestricted resources first, then restricted resources as needed.

Lassen Municipal Utility District		
Statements of Cash Flows (Part 1 of 2)⁴⁷		
	Years Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$22,426,150	\$20,764,916
Paid to suppliers for goods and services	(13,311,486)	(14,349,127)
Paid to employees for operating payroll	(3,543,581)	(3,667,204)
Net cash flows from operating activities	5,571,083	2,748,585
CASH FLOWS FROM CAOPTAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,762,253)	(5,928,626)
Preliminary survey and investigation*	(117,629)	(324,955)
Net cash flows from capital and related financing activities	(1,879,882)	(6,253,581)
CASH FLOWS FROM NONCAPITAL ACTIVITIES		
Miscellaneous non-operating income	333,623	2,062,290
Net cash flows from noncapital activities	333,623	2,062,290
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	425,646	394,203
Net cash flows from investing activities	425,646	394,203
Net change in cash and cash equivalents	4,450,470	(1,048,503)
CASH AND CASH EQUIVALENTS- beginning of year	16,427,851	17,476,354
CASH AND CAHS EQUIVALENTS- end of year	\$20,878,321	\$16,427,851
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Unearned revenue-emission allowances	\$(633,861)	\$306,123

*Preliminary survey and investigation shows the balance of the initial project engineering costs related to district plant construction. The balance will be capitalized upon commencement of the project. ⁴⁸

⁴⁷ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 13.

⁴⁸ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 17.

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Lassen Municipal Utility District		
Statements of Cash Flows (Part 2 of 2)⁴⁹		
	Years Ended June 30	
	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING INCOME		
Net operating income	\$2,580,282	\$523,029
Gain on sale of emission allowances	876,826	787,271
Noncash items in operating income		
Depreciation	1,898,921	1,782,218
Net change in OPEB*	171,298	1,782,218
Changes in assets, liabilities, and deferred inflows of resources		
Customer and other accounts receivable	68,630	(172,588)
Emission allowance inventory	380,066	(395,803)
Materials and supplies inventory	(98,089)	(109,049)
Prepaid expenses and other assets	349,757	44,056
Accounts payable	(25,690)	356,965
Purchased power payable	(186,769)	(521,804)
Customer deposits	2,952	35,948
Public benefit payable	117,203	(33,847)
Other payables and accrued liabilities	47,181	41,145
Accrued compensation and related costs	34,273	(2,747)
Pension plan payable	8,242	337
Accrued leave and sick leave	(20,139)	3,778
Deferred carbon emission allowances	(633,861)	306,132
Net cash flows from operating activities	\$5,571,083	\$2,748,585
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and cash equivalents	\$7,210,948	\$3,778,178
Restricted assets**	183,302	360,704
Board designated cash reserves	1,500,000	1,500,000
Construction fund	11,984,071	10,788,969
Total cash and cash equivalents	\$20,878,321	\$15,427,851

*OPEB is Other Post-Employment Benefits.

**Restricted assets are certain resources set aside for external party designated funds and are classified as restricted assets in the statements of net position.⁵⁰

⁴⁹ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 14.

⁵⁰ Lassen Municipal Utility District, Report of Independent Auditors Years ended June 30, 2020 and 2019. Prepared by MOSSADAMS, Portland Oregon, December 14, 2020, page 17.

ABBREVIATIONS

AB	Assembly Bill
CAISO	California Independent System Operators (Cal-ISO)
CBA	Collective Bargaining Agreement
CEC	California Energy Commission
CEQA	California Environmental Quality Act
COP	Certificate of Participation
CP	Citizen Power
CPUC	California Public Utility Commission
CSA	County Service Area
CSD	Community Services District
CVP	Central Valley Project
District	LMUD
DWR	Department of Water Resources
FERC	Federal Energy Regulatory Commission
FLS-SNR-WAPA	Full Load Service-Sierra Nevada Region-Western Area Power Administration
FY	Fiscal Year
GO	General Order
gpd	gallons per day
gpm	gallons per minute
GWh	Gigawatt hours
HLP	Honey Lake Power
IEP	Independent Energy Providers
IOU	Investor-Owned Utility
IPP	Independent Power Producer
ISO	Independent System Operator
kv	kilovolts

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KWh	Kilowatt hours
LAFCO	Local Agency Formation Commission
LMUD	Lassen Municipal Utility District
LSE	Load Serving Entity
MSR	Municipal Service Review
MUDA	Municipal Utilities District Act
MW	Megawatts
MWh	Megawatt hour
NERC	North American Electric Reliability Council
P	Power
PDCA	Power Delivery and Cost Analysis
PG&E	Pacific Gas and Electric Company
POU	Publicly Owned Utility
psi	pounds per square inch
PSREC	Plumas-Sierra Rural Electric Cooperative
PUC	Public Utility Code
QF	Qualifying Facilities
RAC	Rate Adjustment Clause
RSR	Rate Stabilization Reserve
SB	Senate Bill
SCADA	Supervisory Control and Data Acquisition
SOI	Sphere of Influence
USDA	United States Department of Agriculture
V	Volt
W	Watt
WAPA	Western Area Power Administration
Western	Western Area Power Administration
WECC	Western Electricity Coordinating Council

DEFINITIONS

AC Alternating Current: The direction of electrical current reverses, usually many (60) times per second. Electricity transmission networks use AC because voltage can be controlled with relative ease.

Agriculture: Use of land for the production of food and fiber, including the growing of crops and/or the grazing of animals on natural prime or improved pasture land.

Ampere (amp): A unit of electrical current or rate of flow of electrons. One volt across one ohm of resistance causes a current flow of one ampere. One ampere is equal to 6.235×10^{18} electrons per second passing a given point in a circuit.

Ampere Hour (amp hr. or AH): a measure of current over time, used to measure battery capacity.

Ampere Hour Meter: An instrument that monitors current with time. The indication is the product of current (in amperes) and time (in hours).

Aquifer: An underground, water-bearing layer of earth, porous rock, sand, or gravel, through which water can seep or be held in natural storage. Aquifers generally hold sufficient water to be used as a water supply.

Blackout: A power loss affecting many electricity consumers over a large geographical area for a significant period of time.

Bond: An interest-bearing promise to pay a stipulated sum of money, with the principal amount due on a specific date. Funds raised through the sale of bonds can be used for various public purposes.

Bundled service: Electric service provided as a package to the consumer including all generation, transmission, distribution, ancillary and other services necessary to deliver and measure useful electric energy and power to consumers.

Busbar: In electric utility operations, a busbar is a conductor that serves as a common connection for two or more circuits. It may be in the form of metal bars or high-tension cables.

California Energy Commission: The state agency established by the Warren-Alquist State Energy Resources Conservation and Development Act in 1974 (Public Resources Code, Sections 25000 et seq.) responsible for energy policy. The Energy Commission's five major areas of responsibilities are as follows:

1. Forecasting future statewide energy needs
2. Licensing power plants sufficient to meet those needs
3. Promoting energy conservation and efficiency measures
4. Developing renewable and alternative energy resources, including providing assistance to develop clean transportation fuels
5. Planning for and directing state response to energy emergencies

Funding for the Commission's activities comes from the Energy Resources Program Account, Federal Petroleum Violation Escrow Account and other sources.

California Environmental Quality Act (CEQA): A State Law requiring State and local agencies to regulate activities with consideration for environmental protection. If a proposed activity has the potential for a significant adverse environmental impact, an environmental impact report (EIR) must be prepared and certified as to its adequacy before taking action on the proposed project.

California Public Utilities Commission (CPUC): A state agency created by constitutional amendment in 1911 to regulate the rates and services of more than 1,500 privately owned utilities and 20,000 transportation companies.

The CPUC is an administrative agency that exercises both legislative and judicial powers; its decisions and orders may be appealed only to the California Supreme Court.

The major duties of the CPUC are to regulate privately owned utilities, securing adequate service to the public at rates that are just and reasonable both to customers and shareholders of the utilities; including rates, electricity transmission lines and natural gas pipelines.

The CPUC also provides electricity and natural gas forecasting, and analysis and planning of energy supply and resources. Its main headquarters are in San Francisco.

Central Valley Project: The Central Valley Project, one of the Nation's major water conservation developments, extends from the Cascade Range in the north to the semi-arid but fertile plains along the Kern River in the south. Initial features of the project were built primarily to protect the Central Valley from crippling water shortages and menacing floods, but the CVP also improves Sacramento River navigation, supplies domestic and industrial water, generates electric power, conserves fish and wildlife, creates opportunities for recreation, and enhances water quality.⁵¹

Certificate of Participation: Financing in which an individual buys a share of the lease revenues of an agreement made by a municipal or governmental entity, rather than the bond being secured by those revenues.

Clean Power: "Clean" is herein defined as near 100% active energy delivered at a constant voltage rate and cycle.

Community Facilities District: Under the Mello-Roos Community Facilities Act of 1982 (Section 53311, et seq.) a legislative body may create within its jurisdiction a special tax district that can finance tax-exempt bonds for the planning, design, acquisition, construction, and/or operation of public facilities, as well as public services for district residents. Special taxes levied solely within the district are used to repay the bonds.

Community Services District (CSD): A geographic subarea of a county used for planning and delivery of parks, recreation, and other human services based on an assessment of the service needs of the population in that subarea. A CSD is a taxation district with independent administration.

Demand: The rate at which energy is delivered to loads and scheduling points by generation, transmission or distribution facilities during any specified period of time. Demand may be expressed in kilowatts, kilovolt-amperes or other suitable units.

Demand Billing: The electric capacity requirement for which a large user pays. It may be based on the customer's peak demand during the contract year, on a previous maximum or on an agreed minimum. Measured in kilowatts.

Deregulation: The elimination of regulation from a previously regulated industry or sector of an industry.

⁵¹ <http://www.usbr.gov/dataweb/html/cvp.html>

Direct Current DC: A one way flow of electric current. Typical sources of direct currents are electric cells, rectified power units and direct current generators. This is the current flow produced by a solar system. To be used for typical 120 volt or 220 volt household appliances, it must be converted to AC (alternating current).

Distribution lines: The utility lines operated at distribution voltage, which are constructed along public roadways or other bona fide rights-of-way, including easements on customer's property.

Distribution service: The delivery of electricity to a retail consumer through wires, transformers, and other devices that are not classified as transmission services subject to the jurisdiction of the Federal Energy Regulatory Commission. Distribution service excludes metering services, meter reading services and billing and collection services, as those terms are used herein.

Electric Current: The rate at which electricity flows through an electrical conductor, usually measured in amperes (amps).

Electric Utility: Any person or state agency with a monopoly franchise (including any municipality), which sells electric energy to end-use customers; this term includes the Tennessee valley Authority, but does not include other Federal power marketing agencies (from EPAct).

Electricity: Energy resulting from the flow of charge particles, such as electrons or ions.

Federal Energy Regulatory Commission (FERC): An independent regulatory commission within the U.S. Department of Energy that has jurisdiction over energy producers that sell or transport fuels for resale in interstate commerce; the authority to set oil and gas pipeline transportation rates and to set the value of oil and gas pipelines for ratemaking purposes; and regulates wholesale electric rates and hydroelectric plant licenses.

Generation: The production of the actual megawatts of electricity or purchase of electricity through the wholesale market.

Gigawatt-Hour (GWH): One million kilowatt-hours of electric power. California's electric utilities generated a total of about 270,000 gigawatt-hours in 1988.

Green pricing: A program offered by an Electric Service Provider where customers elect to pay a rate premium for renewable generated electricity.

Grid: The electric utility companies' transmission and distribution system that links power plants to customers through high power transmission line service (110 kilovolt [kv] to 765 kv); high voltage primary service for industrial applications and street rail and bus systems (23 kv-138 kv); medium voltage primary service for commercial and industrial applications (4 kv to 35 kv); and secondary service for commercial and residential customers (120 v to 480 v).

Groundwater: Water under the earth's surface, often confined to aquifers capable of supplying wells and springs.

Home Energy Assistance Program (HEAP): A centrally operated direct payment program that assists eligible households in offsetting the cost of heating and cooling their homes. Payments are generally made in the form of dual party warrants (checks) made payable to the applicant and their designated utility company. The program is administered by the California Department of Economic Opportunity using federal and state funds. The toll-free number for the HEAP Program is (800) 433-4327.

Impact Fee: A fee, also called a development fee, levied on the developer of a project by a county, or other public agency as compensation for otherwise-unmitigated impacts the project will produce. California Government Code Section 66000, et seq., specifies that development fees shall not exceed the estimated reasonable cost of providing the service for which the fee is charged. To lawfully impose a development fee, the public agency must verify its method of calculation and document proper restrictions on use of the fund.

Independent Power Producer: An Independent Power Producer (IPP) generates power that is purchased by an electric utility at wholesale prices. The utility then resells this power to end-use customers. Although IPPs generate power, they are not franchised utilities, government agencies or QFs. IPPs usually do not own transmission lines to transmit the power that they generate.

Independent System Operator (ISO): A neutral operator responsible for maintaining instantaneous balance of the grid system. The ISO performs its function by controlling the dispatch of flexible plants to ensure that loads match resources available to the system.

Infrastructure: Public services and facilities such as sewage-disposal systems, water-supply systems, and other utility systems, schools and roads.

Interruptible electric service: Electric service that is subject to interruption as specified in the utility's tariff.

Inter-tie: A transmission line that links two or more regional electric power systems.

Investor-Owned Utilities: A private company that provides a utility, such as water, natural gas or electricity, to a specific service area. A designation used to differentiate a utility owned and operated for the benefit of shareholders from municipally owned and operated utilities and rural electric cooperatives.

The investor-owned utility is regulated by the California Public Utilities Commission. In California the investor owned utilities supplying energy are as follows:

Canadian Pacific National Corporation
Pacific Gas and Electric Company
Pacific Power and Light Company
San Diego Gas & Electric
Sierra Pacific Power Company
Southern California Edison Company
Southern California Gas Company (The Gas Company)
Southwest Gas Corporation

Kilovolt (kv): A unit of pressure equal to one thousands volts.

Kilowatt (kW): A unit of power equal to 1,000 watts.

Kilowatt-hour (Kwh): The most commonly-used unit of measure telling the amount of electricity consumed over time. It means one kilowatt of electricity supplied for one hour. In 1989, a typical California household consumes 534 kWh in an average month.

Land Use Classification: A system for classifying and designating the appropriate use of properties.

Leapfrog Development; New development separated from existing development by substantial vacant land.

Line extension: The lines and equipment necessary to extend the electric distribution system of the utility to provide service to additional customers.

Local Agency Formation Commission (LAFCO): A five-or seven-member commission within each county that reviews and evaluates all proposals for formation of special districts, incorporation of cities, annexation to special districts or cities, consolidation of districts, and merger of districts with cities. Each county's LAFCO is empowered to approve, disapprove, or conditionally approve such proposals. The LAFCO members generally include two county supervisors, two city council members, and one member representing the general public. Some LAFCOs include two representatives of special districts.

Master meter: A meter for measuring or recording the flow of electricity that has passed through it at a single location where said electricity is distributed to tenants or occupants for their individual usage.

Mean Sea Level: The average altitude of the sea surface for all tidal stages.

Mega-Volt: A unit of pressure equal to one million volts.

Megawatt (MW): A unit of power equal to 1,000,000 watts.

Megawatt Hour (MWh): One thousand kilowatt-hours, or an amount of electricity that would supply the monthly power needs of 1,000 typical homes in the Western U.S. (This is a rounding up to 8,760 kWh/year per home based on an average of 8,549 kWh used per household per year [U.S. DOE EIA, 1997 annual per capita electricity consumption figures]).

Mello-Roos Bonds: Locally issued bonds that are repaid by a special tax imposed on property owners within a community facilities district established by a governmental entity. The bond proceeds can be used for public improvements and for a limited number of services. Named after the program's legislative authors.

Meter: The instrument for measuring and indicating or recording the flow of electricity that has passed through it.

Meter reading service: All functions related to the collection and storage of consumption data.

Meter service: All functions related to measuring electricity consumption, including installation and repair of meters, but not including meter reading.

Meter Service Provider (MSP): An entity providing meter service.

Metering and metering service: All functions related to measuring electricity consumption.

Municipal Electric Utility: A power utility system owned and operated by a local jurisdiction.

Ordinance: A law or regulation set forth and adopted by a governmental authority.

Outage (Electric utility): An interruption of electric service that is temporary (minutes or hours) and affects a relatively small area (buildings or city blocks).

Point of Delivery: The point where facilities owned, leased or under license by a customer connect to the utility's facilities.

Power: The rate of generating, transferring or using electric energy, usually expressed in kilowatts.

Qualifying Facility: A cogenerator or small power producer which under Federal Law, has the right to sell its excess power output to the public utility.

Ranchette: A single dwelling unit occupied by a non-farming household on a parcel of 2.5 to 20 acres that has been subdivided from agricultural land.

Renewable Energy: Flows of energy that are regenerative or virtually inexhaustible. Most commonly includes solar (electric and thermal), biomass, geothermal, wind, tidal, wave, and hydro power sources.

Residential use: Service to customers using electricity for domestic purposes such as space heating, air conditioning, water heating, cooking, clothes drying and other residential uses and includes use in apartment buildings, mobile home parks and other multiunit residential buildings.

Rural Electric Cooperative: A nonprofit, customer-owned electric utility that distributes power in a rural area. As of June 1990, there are three rural electric cooperatives in California as follows:

Anza Electric Cooperative in Anza
Plumas-Sierra Rural Electric Cooperative in Portola
Sunrise Valley Electrification Corporation in Alturas

Sanitary Sewer: A system of subterranean conduits that carries refuse liquids or waste matter to a plant where the sewage is treated, as contrasted with storm drainage systems (that carry surface water) and septic tanks or leech fields (that hold refuse liquids and waste matter on-site).

Service Area: The geographical territory served by a utility.

Service line: The line extending from a distribution line or transformer to the customer's premises or point of delivery.

Source Energy: All the energy used in delivering energy to a site, including power generation and transmission and distribution losses, to perform a specific function, such as space conditioning, lighting, or water heating. Approximately three watts (or 10.239 Btus) of energy is consumed to deliver one watt of usable electricity.

Sphere of Influence (SOI): The probable physical boundaries and service area of a local agency, as determined by the Local Agency Formation Commission (LAFCO) of the county.

Substation: A facility that steps up or steps down the voltage in utility power lines. Voltage is stepped up where power is sent through long-distance transmission lines. It is stepped down where the power is to enter local distribution lines.

Time-Of-Use (TOU) Rates: The pricing of electricity based on the estimated cost of electricity during a particular time block. Time-of-use rates are usually divided into three or four time blocks per twenty-four hour period (on-peak, mid-peak, off-peak and sometimes super off-peak) and by seasons of the year (summer and winter). Real-time pricing differs from TOU rates in that it is based on actual (as opposed to forecasted) prices which may fluctuate many times a day and are weather-sensitive, rather than varying with a fixed schedule.

Transformer: A device, which through electromagnetic induction but without the use of moving parts, transforms alternating or intermittent electric energy in one circuit into energy of similar type in another circuit, commonly with altered values of voltage and current.

Transmission service: Refers to the transmission of electricity at high voltage to retail electric customers or to electric distribution facilities as defined by the Federal Energy Regulatory Commission (FERC).

Unbundled service: Electric service elements provided and priced separately, including, but not limited to, such service elements as generation, transmission, distribution, must-run generation, metering, meter reading, billing and collection, and ancillary services. Unbundled Service may be sold to consumers or to other Electric Service Providers.

Urban: Of, relating to, characteristic of, or constituting a city. Urban areas are generally characterized by moderate and higher density residential development (i.e., three or more dwelling units per acre), commercial development, and industrial development, and the availability of public services required for that development, specifically central water and sewer service, an extensive road network, public transit, and other such services (e.g., safety and emergency response). Development not providing such services may be “non-urban” or “rural”. CEQA defines “urbanized area” as an area that has a population density of at least 1,000 persons per square mile (Public Resources Code Section 21080.14(b)).

Urban Services: Utilities (such as water, gas, electricity, and sewer) and public services (such as police, fire protection, schools, parks, and recreation) provided to an urbanized or urbanizing area.

Voltage: A measure of the force or "push" given the electrons in an electrical circuit; a measure of electrical potential. One volt produces one amp of current when acting against a resistance of one ohm.

Watt: Unit of power. Power is the rate of using energy to do work.

Wheeling: The transmission of electricity by an entity that does not own or directly use the power it is transmitting. Wholesale wheeling is used to indicate bulk transactions in the wholesale market, whereas retail wheeling allows power producers direct access to retail customers. This term is often used colloquially as meaning transmission.

Wholesale Power Market: The purchase and sale of electricity from generators to resellers (who sell to retail customers) along with the ancillary services needed to maintain reliability and power quality at the transmission level.

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