

The People are the City

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CHAD P. WANKE

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**City Clerk:**  
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**City Treasurer**  
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**Acting City Administrator**  
DAMIEN R. ARRULA

401 East Chapman Avenue – Placentia, California 92870

September 2, 2015

The Honorable Glenda Sanders  
Presiding Judge, Orange County Superior Court  
700 Civic Center Drive West  
Santa Ana, CA 92701

SUBJECT: 2014-15 ORANGE COUNTY GRAND JURY REPORT ENTITLED  
“MELLO-ROOS: PERPETUAL DEBT ACCUMULATION AND TAX  
ASSESSMENT OBLIGATION”

Dear Judge Sanders:

We have reviewed the 2014-15 Orange County Grand Jury Report “Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation”. On behalf of the City of Placentia City Council, we thank the volunteer members of the Grand Jury for their time and considerable effort in analyzing the various aspects of Mello-Roos in Orange County.

The Grand Jury is requiring the City of Placentia to respond to finding F.1. through F.3. and recommendations R.1. and R.2. In accordance to California Penal Code §993 and 993.05, the City of Placentia is pleased to provide the following responses to the findings and recommendations made by the Grand Jury.

Finding 1. There is a lack of transparency to homeowners relative to how CFD funds are being used.

*City Response: Partially disagree – The law provides “that the CFD prepare, if requested by a person who resides in or owns property in the district, within 120 days after the last day of each fiscal year, a separate document titled “Annual Report.”” This option has existed and there have been very few times if any when this report has been requested.*

Finding 2. There does not seem to be appropriate oversight and auditing of CFD’s and special tax expenditures within the County of Orange.

*City Response: Disagree – The City’s CFDs are a part of the City’s financial system, as such, they are audited by the City’s independent outside auditing firm on an annual basis. The City’s annual audit is already overseen by the City’s Financial Audit Oversight Committee.*

Finding 3. While the assumption is that the CFD debt would be repaid in a finite period of time, there is a mechanism available to controlling entities to extend debt obligations and thereby expend the CFD tax in perpetuity.

*City Response: Agreed, however, in Placentia, there has been no CFD debt extension and debt is scheduled to be paid off in September 2015. A vote of the property owners is necessary in order to issue additional debt and there is no intention to do so.*

Recommendation 1. Each local agency that established the CFD should create an oversight committee and an audit committee to provide for an independent, transparent view of the manner in which CFD funds are being expended.

*City Response: The City currently has a Financial Audit Oversight Committee which reviews the activities of the CFDs through the review of the City's annual audit and Comprehensive Annual Financial Report (CAFR). The Committee could be tasked with reviewing the activities of the CFDs separately by preparing the separate CFD "Annual Report" for their review. This can be implemented when the FY14-15 Comprehensive Annual Financial Report is taken to the Financial Audit Committee for their review.*

Recommendation 2. Audit report information, as delineated in California Government Code, 1982, Section 53343.1, should be made available to the CFD taxpayers on a website after each fiscal year for each CFD number.

*City Response: The "Annual Report" as outlined in California Government Code, 1982, §53343.1 will be prepared and presented to the City's Financial Audit Oversight Committee along with the City's CAFR. Upon the completion of their review, the report will be posted on the City's website. This should be implemented by the end of the calendar year.*

Thank you for affording us this opportunity to comment upon the findings and recommendations of the Grand Jury. Should you have any questions or need clarification regarding the City's responses contained herein, please do not hesitate to contact my office at (714) 993-8186.

Sincerely,

Chad P. Wanke  
Mayor



cc: City Council  
Orange County Grand Jury  
City Administrator  
Chief Financial Officer  
Director of Administrative Services