

NORTH NET FIRE TRAINING CENTER

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SEPTEMBER 10, 2015

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

Orange County Grand Jury
700 Civic Center Drive West
Santa Ana, CA 92701

**Re: *Response to Grand Jury Recommendations in Report Entitled:
 Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency***

Honorable Glenda Sanders, Presiding Judge, and Members of the Grand Jury:

On behalf of the North Net Joint Powers Training Authority (hereafter, "North Net"), which is a joint powers agency created by the cities of Anaheim, Garden Grove and Orange to provide firefighter training, I appreciate the opportunity to respond to the findings and recommendations in the Grand Jury's report entitled *Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency* (hereafter "Report").

Comments on Findings.

The Grand Jury made three findings with respect to North Net—Findings 4, 5, and 6.

Findings 4 and 5: North Net disagrees with the finding. Both of these findings are based on the incorrect assumption that North Net is a vertical joint powers agency, as that term is defined in the Report. North Net is similar to Metro Cities Fire Authority, which was used in the Report as an example

of a horizontal joint powers agency. North Net's members are the cities of Anaheim, Garden Grove and Orange. Each member city designates a representative from its respective city councils, which representatives comprise the three-member Board of Directors. Each member has equal representation. The vertical joint powers structure example shown in the Report is one in which the joint powers agency and the public agencies which created the joint powers agency are all governed by the same legislative body. In this example the joint powers agency was created by a city and a redevelopment agency, both of which are governed by the city council and which would also govern the joint powers agency.

Finding 6: North Net agrees with this finding in part. The finding was that North Net was one of 32 joint powers authorities not complying with State law reporting requirements. North Net agrees with the finding to the extent that North Net was not filing reports with the County as required by the cited statutes. With respect to filing reports with the State Controller pursuant to Government Code § 12463.1 (SB 282), North Net's legal counsel reading of the statute is that it only applies to North Net if it has been requested by the Controller pursuant to Government Code § 12463.1 to provide the reports. North Net first received this request last year in a letter from the State Controller dated August 8, 2014. In response to this request, the reports were submitted to the State Controller on October 20, 2014, and North Net will continue to do so on an annual basis.

Comments on Recommendations

The Grand Jury made two recommendations with respect to North Net—Recommendations 3 and 4.

Recommendation 3: All Joint Powers Authorities should take the following actions to insure transparency to taxpayers: (1) have an annual outside audit, (2) post the complete audit on their city website as a separate Joint Powers Authority entity, (3) send the audit to the County Controller and the State Auditor, and (4) ensure the required reports are filed annually to the County and the State.

Response to Recommendation 3: (1) North Net previously implemented the recommendation for annual audits and will continue to do so on an annual basis; (2) North Net has implemented the recommendation to post its annual audit on its website and all member cities have placed a link to North Net on their websites; (3) North Net has implemented the recommendation to send the audit to the County Controller and the State Auditor and will do so on an annual basis; and (4) North Net has implemented the annual filing of reports to the County and the State.

Recommendation 4: The 32 Joint Powers Authorities that are not complying with the California State Law requiring annual reporting should become compliant by submitting their 2014 report by December 31, 2015, and submitting the required reports annually thereafter.

Response to Recommendation 4: North Net has implemented this Recommendation. North Net assumes that the recommendation's reference to reporting requirements in "code Section 6500" is referencing Government Code § 6505, which requires that joint powers authorities file financial audits with each of contracting parties to the joint powers agreement and also with the county auditor. North Net will continue to implement this Recommendation on an annual basis.

Should you have any questions, please do not hesitate to contact North Net's General Counsel, David DeBerry, at 714-558-7000.

Sincerely,

A handwritten signature in blue ink that reads "Teresa 'Tita' Smith, MSW, LCSW". The signature is written in a cursive style.

Teresa "Tita" Smith
North Net Board Member
Mayor, City of Orange

cc: Board of Directors
Fire Chiefs—Anaheim, Garden Grove, Orange
North Net Administrator
North Net General Counsel