



City of Anaheim
OFFICE OF THE CITY MANAGER

September 15, 2015

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

**Subject: 2014 - 2015 Orange County Grand Jury Report, "Joint Powers
Authorities: Issues of Viability, Control, Transparency, and Solvency"**

Honorable Judge Sanders:

As the Executive Director of the Anaheim Housing and Public Improvements Authority (Authority), I am pleased to respond on behalf of the Authority to the 2014 - 2015 Orange County Grand Jury Report, "Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency." The responses contained in this letter have been approved by the board of directors of the Authority. The Authority's response addresses the Orange County Grand Jury Report's findings and recommendations relevant to our Authority in accordance with the California Penal Code Sections 933 and 933.05.

Findings

F.4. Vertical Joint Powers Authorities with a single controlling entity, such as a city council, have the potential to use this organizational structure as a shell company to avoid other legal constraints on the controlling entity and to obfuscate taxpayer visibility.

Response: The Authority disagrees with this finding. Neither the existence nor the use of the Authority can affect legal constraints applicable to the City, which constraints continue to independently regulate the City's actions. While there may be different legal constraints applicable to each entity, each entity must comply with all such applicable constraints.

Additionally City transactions with the Authority are undertaken to maximize, not obfuscate, taxpayer visibility. Such transactions are taken at regularly scheduled City Council meetings, only after taking public input on the transactions, and the transaction documents are available to the taxpayers and the public in general as part of the City Council agenda. Further the City and Authority have continually sought ways to further transparency to the public, as evidenced by the new Citywide Long Term Obligations section of the City's Adopted FY 2015/16 budget.

F.5. Vertical Joint Powers Authorities in which the controlling entity transfers assets from itself to a Joint Powers Authority for the purpose of obtaining additional funding, or signs a long-term lease to a Joint Powers Authority to obtain assets, are avoiding transparency and are not acting in the best financial interest of the taxpayers.

Response: The Authority disagrees with this finding. City transactions with the Authority are undertaken to maximize transparency. Such transactions are taken at regularly scheduled City Council meetings, following public input, and the transaction documents are available to the taxpayers and the public in general as part of the City Council agenda. Further the City and Authority have continually sought ways to further transparency to the public, as evidenced by the new Citywide Long Term Obligations section of the City's Adopted FY 2015/16 budget.

City financing transactions with the Authority are undertaken only with respect to long-term assets which will benefit the City and its residents and only when the transaction offers cost-efficient financing.


Recommendations

R.3. All Joint Powers Authorities should take the following actions to insure transparency to the 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. (F.4., F.5.)

Response: The Authority will implement this recommendation when it has transactions to report. At this time, the Authority has no financial activity.

The Authority would like to express its appreciation for the efforts of the Orange County Grand Jury. The Authority is committed to public disclosure and transparency in its governmental affairs. Should you have any questions or need additional information, please contact Debbie Moreno, Authority Auditor, at (714) 765-4651 or dmoreno@anaheim.net

Respectfully submitted,
ANAHEIM HOUSING AND PUBLIC IMPROVEMENTS AUTHORITY


Paul Emery
Executive Director

C: Orange County Grand Jury
City Clerk, City of Anaheim