



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 City Manager of the City of Anaheim (City), I am pleased to respond on behalf of the City 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 Anaheim City Council. The City's response addresses the Orange County Grand Jury Report's findings and recommendations relevant to our City in accordance with the California Penal Code Sections 933 and 933.05.

Findings

F.3. Orange County has 18 vertical Joint Powers Authorities created by a city along with its redevelopment agency that no longer exists. The Grand Jury determined that these Joint Powers Authorities serve no benefit to the public or the taxpayers and have the potential for misuse or obfuscation of public funds.

*Response: The City disagrees with this finding. In the legislation eliminating redevelopment agencies, the State Legislature was careful to provide for the continuation of joint powers agencies such as the Authority of which redevelopment agencies were members. By providing that successor agencies replaced redevelopment agencies as members of joint powers agencies, the State Legislature assured that the benefits to the public and the taxpayers provided by such joint powers agencies continue.*

*There is no potential for misuse or obfuscation of public funds relating to debt issued by the City's Joint Powers Authorities (Authorities) as all such funds are deposited with corporate trustees and applied only as provided in trust indentures. Further, all such public funds are accounted for in audited financial statements readily available to the public. The City and its Authorities have only operated for the benefit of the public and 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.10. The Anaheim Public Financing Authority has a debt exposure of \$1.2 billion which the Grand Jury has determined to be excessive in light of the fact that it was incurred without voter approval.

*Response: The City disagrees with this finding. The Report itself determines that debt is "excessive" based on the income of a joint powers authority. All City financing transactions with its Authorities provide that the Authorities are to receive income with respect to the financing in each year sufficient to pay all related Authority obligations in such year - in essence the debt is revenue/expense neutral. The comparison of total Authority obligations to its income in any year ignores the income stream the Authority is to receive with respect to such obligations. The Authority's debt is not excessive under the criteria established in the Report. Voter approval is not required for debt issued by the City's Authorities of this nature.*

#### Recommendations

R.2. All Vertical Joint Powers Authorities created by a city along with its redevelopment agency should submit the necessary paperwork with the State of California requesting termination of their existence. (F.3.)

*Response: The City will not implement this recommendation because it is not warranted. The recommendation is contrary to purposes of State law and would place an enormous financial burden on the City and its residents and taxpayers.*

*California Health and Safety Code Section 34178(b) specifically provides for continuation of a joint exercise of powers agreement in which a redevelopment agency is a member of the joint powers authority. Pursuant to California Health & Safety Code Section 34173 and a resolution adopted by the Anaheim City Council on January 10, 2012, the City is the Successor Agency to the Anaheim Redevelopment Agency (ARA). California Health & Safety Code Section 34178(b) provides that the Successor Agency succeeds to the position of the ARA under the Joint Powers Agreement by operation of the act adding such section.*

*Implementation of the recommendation would also require the immediate retirement of all of the City's Authorities' debt, which is not in the City's or its residents' interests. Anything less could constitute a violation of State law and an Authority default under its financing documents. As noted in the response to Finding 10, the Authority is to receive income in each year sufficient to pay such year's debt service on its debts. The termination of the Authority is inconsistent with continuing its debt obligations as currently structured. Currently providing for the retirement of all such obligations would be impractical, uneconomic and, given the long-term nature of the financed assets, unfair to the City's current residents, businesses and taxpayers.*

R.8. The City of Anaheim City Council should redress the debt incurred by the Anaheim Public Financing Authority under its direction by an aggressive plan to reduce their public debt. (F.10.)

*Response: The City will not implement this recommendation because it is not warranted. The City and its Authorities have cost-effective financing arrangements for critical infrastructure (water, electric and sewer) and revenue producing assets (Anaheim Resort improvements and the Anaheim Convention Center). Implementation of the recommendation would require the early retirement of its Authorities' debt. As noted in the response to Finding 10, its Authorities are to receive income in each year sufficient to pay such year's debt service on its debts. The recommendation is inconsistent with continuing its debt obligations as currently structured. Providing for the early retirement of its Authorities' obligations would be uneconomic and, given the long-term nature of the financed assets, unfair to the City's current residents, businesses and taxpayers.*

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

Respectfully submitted,

  
Paul Emery  
City Manager

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