



CITY OF YORBA LINDA

P.O. BOX 87014

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September 15, 2015

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

RE: Response to the Orange County Grand Jury report – *“Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency”*

Judge Sanders:

The Yorba Linda Public Finance Authority has reviewed the Orange County Grand Jury report titled *“Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency”* and has formulated a response to each of the required findings and recommendations as outlined on pages 13 – 15 of the report.

Finding F3

“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.”

PFA’s Response

The Yorba Linda Public Finance Authority has no reason to disagree with the finding.

Finding F4

“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.”

PFA’s Response

The Yorba Linda Public Finance Authority agrees with the finding.

Finding F5

“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.”

PFA’s Response

The Yorba Linda Public Finance Authority disagrees partially with the finding. We believe that if these actions have taken place, there is a *potential* for avoiding transparency and not acting in the best

financial interest of taxpayers. However, without examining specific circumstances, there is no way to know if that has occurred.

Finding F6

“32 of the Joint Powers Authorities identified in Orange County are not complying with the California State reporting requirements in code Section 6500 and SB 282 according to the latest information available from the year 2013.”

PFA’s Response

The Yorba Linda Public Finance Authority has not verified this information and therefore cannot agree or disagree with this statement. The Yorba Linda Public Finance Authority has complied with the California State reporting requirements and has submitted an Annual Report of Financial Transactions to the California State Controller’s Office since its inception in 1989.

Recommendation R2

“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.”

PFA’s Response

The recommendation requires further analysis. Over the next several months the Yorba Linda Public Finance Authority will confer with its legal counsel to determine whether its existence should be terminated and what the necessary steps are to carry that out.

Recommendation R3

“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.”

PFA’s Response

The recommendation will not be implemented because it is not warranted. The Yorba Linda Public Finance Authority is currently inactive with no assets, liabilities, revenues, expenditures or reserves, and therefore has nothing to audit.

Recommendation R4

“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.”

PFA’s Response


This recommendation has been implemented. As noted above under the Authority’s response to Finding F6, The Yorba Linda Public Finance Authority has complied with the California State reporting requirements and has submitted an Annual Report of Financial Transactions to the California State Controller’s Office since its inception in 1989.

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Should you have any questions or require any further information from the Yorba Linda Public Finance Authority, please feel free to contact our Assistant City Manager/Finance Director, David Christian at (714)961-7141 or dchristian@yorba-linda.org.

Sincerely,



Gene Hernandez
Chairman, Yorba Linda Public Finance Authority

Cc: Orange County Grand Jury