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MITZI ORTIZ, MMC

**CITY OF ALISO VIEJO**

INCORPORATED JULY 1, 2001

12 JOURNEY • SUITE 100  
ALISO VIEJO  
CALIFORNIA 92656-5335

WWW.CITYOFALISOVIEJO.COM

PHONE

949.425.2500

FAX

949.425.3899

September 16, 2015

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

The Honorable Glenda Sanders,

Please accept this as the City of Aliso Viejo's official response to the 2014-2015 *Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation*.

**Findings**

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

This finding is not applicable to the City of Aliso Viejo. The City provides annual reporting to Council in compliance with Government Code Sections:

- 50075.3 (General – Voter-Approved Special Taxes)
- 53411 (Bonds – Bond Accountability)

Government Code sections 50075.3 and 53411 require the chief financial officer of the levying and issuing local agency to file annual reports on all voter-approved special taxes and bonded indebtedness with its governing body:

- The amount of funds collected and expended
- The status of any project required or authorized to be funded as approved by voters

The annual reports are provided on the City's website at <http://www.cityofaliso Viejo.com/city-hall/departments/financial-services/mello-roos/>.

In addition, sellers of property within the CFD are required to comply with Government Code Section 53340.2 by providing a Notice of Special Tax (attached) to prospective buyers. The City and/or Koppel & Gruber Public Finance ("KGPF"), the City's CFD administrator, provides prospective homebuyers information regarding their tax obligations upon request.

Furthermore, the City annually submits Yearly Fiscal Status reports to the California Debt and Investment Advisory Commission ("CDIAC"). All such reports are available as public records from the City of CDIAC.

**F.2. There does not seem to be appropriate oversight and auditing of CFDs and special tax expenditures within the County of Orange.**

The City of Aliso Viejo provides information on CFD 2005-01 within its audited annual financial statement and submits it to Council annually. The annual financial statements are also available on the City's website. The only expenditures of this district are for debt service (principal and interest) and administrative costs.

As stated above, the City annually submits reports to Council in compliance with Government Code Sections 50075.3 and 53411.

**F.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 extend the CFD special tax in perpetuity.**

The City of Aliso Viejo believes that flexibility within the constraints of the Modified Rate and Method of Apportionment is appropriate. This flexibility allows the taxpayers of the CFD to benefit from interest rate changes or development changes that could affect the financial aspect of the financing. For example, the City was able to refinance the original CFD 2005-01 debt in February 2014 to provide savings to its residents without extending past the life of the original issuance.

Additionally, the Modified Rate and Method of Apportionment limits the ability of the CFD to levy taxes for a term to exceed 40 years commencing with fiscal year 2006/2007.

**Recommendations**

- R.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. (F.1, F.2)**

The City of Aliso Viejo reports on CFD 2005-01 within its Comprehensive Annual Financial Report (Debt Without Government Commitment-Note 7). These financial statements are audited and are submitted to Council for ratification on an on an annual basis. Annual CFD reports are available on the City's website. CFD funds are expended for debt service (principal and interest) and administrative costs.

- R.2. Audit report information, as delineated in California Government Code, 1982 53343.1, should be made available to the CFD taxpayers on a website after each fiscal year for each CFD number. (F.1, F.2)**

The City of Aliso Viejo provides information on CFD 2005-01 within its audited annual financial statement and submits it to Council annually. The City also submits to Council annual reports that include information prepared in compliance with Government Code Sections 50075.3 and 53411. The annual financial statements and annual reports are also available on the City's website. The City is in compliance with Government Code 53343.1, which states the following: "A community facilities district formed after January 1, 1992, shall 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 an "Annual Report." The district may charge a fee for the report not exceeding the actual costs of preparing the report..."

Please contact me at [gtharani@cityofaliso Viejo.com](mailto:gtharani@cityofaliso Viejo.com) or at (949) 425-2520 if you have questions or need additional information.

Sincerely,

  
Gina Tharani

Director of Financial Services/City Treasurer

Attachments:

Notice of Special Tax

CC: Orange County Grand Jury

Aliso Viejo City Council

David Doyle, City Manager