



CITY OF FULLERTON

CITY COUNCIL

Office of the Mayor and City Council

Mayor, Greg Sebourn
Mayor Pro Tem, Jennifer Fitzgerald
Doug Chaffee
Jan M. Flory
Bruce Whitaker

September 17, 2015

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

Re: City of Fullerton Response to Grand Jury Report: "*Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation*"

Dear Judge Sanders:

The following are the City of Fullerton's responses to the findings and recommendations contained in the Grand Jury's Report, "*Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation*."

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

City Response: The City of Fullerton disagrees with the finding and recommendation with respect to the City of Fullerton Community Facilities District (Amerige Heights). Since this CFD was created for the purpose of constructing the infrastructure of a new development prior to the construction of the homes, the property owners are fully aware of what the funds were used for.

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

City Response: The City of Fullerton disagrees with this finding. All expenses were incurred in accordance with the stipulations of the bond documents, and were reviewed and approved by the Bond Trustee prior to the City or Developer receiving reimbursements from proceeds. The CFD was also audited annually as part of the City's independent audit. Finally, the City contracts with a firm that specializes in administering special tax districts, which added yet another layer to the oversight.

Finding 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 EDUCATION COMMUNITY

303 West Commonwealth Avenue, Fullerton, California 92832-1775
(714) 738-6311 • Fax (714) 738-6758 • council@ci.fullerton.ca.us • www.cityoffullerton.com



The Honorable Glenda Sanders
Presiding Judge of the Superior Court
September 17, 2015
Page 2

City Response: The City of Fullerton refunded the CFD 2002 bonds in 2012 for the sole purpose of reducing the debt payments. No additional bonds were issued and the property owners were the only beneficiaries of this refunding.

Recommendation 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)

City Response: The City of Fullerton disagrees with this recommendation. The CFD has expended all bond proceeds and exists only to administer the retirement of the debt. A report is issued annually that provides the amount of assessments levied and collected as well as the amount of debt paid.

Recommendation 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)

City Response: The City agrees with this finding and will provide a copy of the annual report to the Homeowners Association of the District to post on its website.

Sincerely,



Gregory C. Sebourn, Mayor
City of Fullerton

cc: Paul S. Borzcik, Foreman
2014-2015 Orange County Grand Jury
700 Civic Center Drive West
Santa Ana, CA 92701