



CITY OF FULLERTON

Office of the Mayor and City Council

CITY COUNCIL

Mayor, Greg Sebourn
Mayor Pro Tem, Jennifer Fitzgerald
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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: *“Joint Powers Authorities: Issues of Viability, control, Transparency and Solvency”* issued to the Fullerton Library Building Authority.

Dear Judge Sanders:

The following is the City of Fullerton’s response to the findings and recommendations contained in the Grand Jury’s Report, *“Joint Powers Authorities: Issues of Viability, control, Transparency and Solvency.”*

Recommendation 1. “All Orange County Joint Powers Authorities that are “inactive” should submit the official paperwork with the State of California requesting termination of their existence or provide at the next public meeting the justification for continuing the Joint Powers Authority. (F.1.)”

City Response: The City of Fullerton agrees and has already begun the dissolution process for the Library Authority, which should be complete by the year’s end.

Finding 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.”

City Response: The City disagrees in part with this finding. While there may be the potential for abuse of a JPA, the Fullerton Library Authority has always acted in accordance with legal requirements and has never abused its purpose.

Finding 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.”

THE EDUCATION COMMUNITY

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City Response: The City of Fullerton disagrees with this finding. In the case of the Fullerton Library Authority, the City and County had a joint interest in the construction of a library facility that has provided a great benefit to the taxpayers of both entities over the years. The formation of a JPA was the most cost-effective and viable measure in which to accomplish this goal. The City has been fully transparent in its reporting of the activity of this JPA as required by law.

Recommendation 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.)”

City Response: The City of Fullerton agrees with this recommendation if a JPA is active. The Fullerton Library Authority has not been active since 2002 and has no financial information to report, yet still complies with reporting requirements with annual audits and reports to the State Controller.

Finding 6. “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.”

Recommendation 4. “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. (F.6.)”

City Response: The City has always filed annual reports with the State Controller’s Office as required. We were not aware that the report was required to be submitted to the County but will certainly comply with this request until the JPA is dissolved.

Sincerely,



Gregory C. Sebourm
Mayor

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