



City of La Habra

ADMINISTRATIVE BUILDING

"A Caring Community"

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September 21, 2015

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

Re: Required Response to Grand Jury Report, "MELLO-ROOS:
PERPETUAL DEBT ACCUMULATION AND TAX ASSESSMENT
OBLIGATION"

Dear Presiding Judge Sanders:

On June 22, 2015, the 2014-2015 Orange County Grand Jury released its report on the "Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation." The report made 3 findings (F1, F2, F3) and 2 recommendations (R1, R2) to which the City of La Habra is required to comment on. Please consider this letter as the City's official response to these findings and recommendations.

Findings

Finding 1 (F1): There is a lack of transparency to homeowners relative to how CFD funds are being used.

Based on the information and documentation provided in the study, **the City of La Habra partially disagrees with the finding** of the Grand Jury. The City's CFD is in a small commercial area that comprises of two business corporations and does not include any homeowners. The CFD funds were spent on commercial improvements in the redevelopment area. The CFD fund has been audited annually along with other funds of the City by an independent external auditor.

Finding 2 (F2): There does not seem to be appropriate oversight and auditing of CFDs and special tax expenditures within the County of Orange.

Based on the data and analysis provided by the Grand Jury, the City of La Habra disagrees with the finding in regards to the City. The CFD fund has been audited annually along with other funds of the City by an independent external auditor. We do not have information regarding the level of oversight or auditing conducted by the County of Orange.

Finding 3 (F3): 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.

Based on the data and analysis presented by the Grand Jury, the City of La Habra partially disagrees with the finding of the Grand Jury. Although the City has an option to refinance the CFD debt to extend the debt obligation and special tax, the City has expressed no intention to do so. In fact, when the original 1990 CFD bonds were refinanced in 1999 to lower debt costs, the City did not extend the final maturity of the refinanced bonds.

Recommendations

Recommendation 1 (R1): Each local agency that established the CDF 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 recommendation will not be implemented. The CFD fund has been audited annually along with other funds of the City by an independent external auditor. Additionally, the CFD funds are used mainly to pay for debt service and debt management related costs.

Recommendation 2 (R2): Audit report information, as delineated in California Government Code, 1982 Section 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 recommendation will not be implemented. In accordance with California Government Code 1982 Section 53343.1, the requirement is only applicable to a CFD formed after January 1, 1992. The City's CFD was formed in December 1989; therefore, this recommendation is not applicable to the City of La Habra.

Thank you for the opportunity to provide comments on these findings and recommendations related to the Grand Jury Report on "Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation." Please contact Melvin Shannon, Director of Finance, at (562) 383-4052 if you have any questions.

Sincerely,



Michael Blazey
Mayor, City of La Habra

CC: Orange County Grand Jury