



FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

Business Services
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Phone (714) 870-2810
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September 21, 2015

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

RE: Fullerton Joint Union High School District's Response to the
2014-2015 Orange County Grand Jury Report
Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation

Dear Presiding Judge Sanders:

On behalf of the Board of Trustees of Fullerton Joint Union High School District ("Board" and "FJUHSD," respectively), FJUHSD appreciates the opportunity to provide the information herein to you and the members of the Grand Jury of Orange County ("Grand Jury").

In accordance with Penal Code Section 933.05, FJUHSD respectfully responds to the Findings and Recommendations set out in the 2014-15 Orange County Grand Jury Report titled, "Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation" ("2015 Grand Jury Report"). The response from FJUHSD as to the Findings and Recommendations of the 2015 Grand Jury Report are set forth below.

It is important to note that FJUHSD's responses are provided with respect to Community Facilities District CFD No. 2005-01 McComber Place of FJUHSD ("CFD No. 2005-01") for which the Board of the FJUHSD is the governing body and lead agency. FJUHSD does not purport to speak for any Mello-Roos CFDs which are outside of its jurisdiction or for which it is not the governing body. Responses provided herein are with respect to only CFD No. 2005-01.

FJUHSD has only one CFD No. 2005-01. CFD No. 2005-01 provided funding to both FJUHSD and the Buena Park School District (“BPSD”). Proceeds from the one and only bond sale of CFD No. 2005-01 were in the amount of \$2,050,000. The net proceeds, after costs of issuance and a required reserve fund, were allocated between the two school districts. CFD No. 2005-01 relates only to funding amounts with respect to what otherwise would have been applicable statutory school fees for “School Facilities.” The special taxes of CFD No. 2005-01 (“CFD No. 2005-01 S/T”) may be levied only for debt service of the Bonds issued in 2005 for such facilities purposes and the cost of administration of CFD No. 2005-01. There are no other CFD No. 2005-01 S/T to be levied or collected as addressed by the 2015 Grand Jury Report.

It should be noted that the limited levy of the CFD No. 2005-01 S/T will terminate when the Bonds of CFD No. 2005-01 are retired in 2035. The amount funded from net proceeds of Bonds of CFD No. 2005-01 in 2005 for FJUHSD and BPSD was \$815,292.50 and \$681,881.00, respectively after costs of issuance, capitalized interest, and establishment of the reserve fund. As noted above, the Bonds were issued in lieu of statutory school fees that would have otherwise been paid by the homebuilder and included in the cost of the home, i.e., homeowner’s down payment and mortgage payments.

In accordance with Penal Code Section 933.05(a) with respect to the Findings outlined in the previously referenced 2015 Grand Jury Report, the FJUHSD provides the following responses:

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

Response: With respect to CFD No. 2005-01, FJUHSD does not concur with the Finding F.1.

Explanation:

FJUHSD does not believe that the statement contained in Finding F.1 as to a “lack of transparency” is applicable to the amounts funded by CFD No. 2005-01 for FJUHSD and BPSD and accomplishment of CFD No. 2005-01’s administration. As noted, such amounts related only to the amount of statutory school fees that would have been paid by the applicable homebuilder. The Special Taxes levied each year are sufficient only to cover the cost debt service, administrative expenses and a reasonable reserve therefor.

Therefore FJUHSD does not concur with Finding F.1 as to CFD No. 2005-01 for the reasons stated herein. Additionally, FJUHSD respectfully wishes to advise the Grand Jury that FJUHSD is fully compliant with the applicable statutes governing provision and availability of information concerning CFD No. 2005-01 expenditures of CFD No. 2005-01 S/T. All Bond proceeds were previously expended for applicable authorized School Facilities. FJUHSD also wishes to advise that the information concerning the funds of CFD No. 2005-01 is publicly available, both through FJUHSD and other public sources. In support of this Response, FJUHSD wishes to advise as follows:

1. As the lead agency for CFD No. 2005-01, FJUHSD provides annual reporting to the Board 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. This annual report contains all of the following:

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

2. FJUHSD complies with the requirement for the provision of annual reports relative to funds of CFD No. 2005-01 and revenues as set forth in Government Code Section 53343.1. All such reports, as applicable, are filed with the California Debt and Investment Advisory Commission (“CDIAC”) as required by applicable law, and are available as public records from FJUHSD or CDIAC upon request.

3. All relevant information regarding CFD No. 2005-01 is available on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board. FJUHSD’s “Continuing Disclosure Reports” for publicly offered securities can be located on the MSRB EMMA website, which can be accessed at www.emma.msrb.org. FJUHSD’s continuing disclosure reports on the EMMA website are current.

4. The School Facilities for FJUHSD and BPSD funded by the proceeds of Bonds of CFD No. 2005-01 are in lieu of statutory school fees paid by the homebuilder of the 114 single-family detached homes and CFD No. 2005-01. Such expenditures by FJUHSD are described in the annual reports made to FJUHSD Board in compliance with Government Code Sections 50075.3 and 53411.

5. The FJUHSD Board and staff members for FJUHSD maintain a continuous level of oversight and review relative to the specific needs for annual special taxes of CFD No. 2005-01 for debt service and costs of administration. All applicable records are retained by FJUHSD and the Board for CFD No. 2005-01, and are available for public inspection as public records.

6. The annual property tax bill sent to each parcel owner within CFD No. 2005-01 includes a toll-free phone number that residents can call if they have any questions related to the CFD (see attached Exhibit A.) This number is for Koppel & Gruber Public Finance (KGPF). KGPF provides administrative services to the FJUHSD with respect to the CFD. Upon occasion they will receive questions regarding the CFD and/or tax bill. However, FJUHSD does not, and has not, received requests from any residents, or property owners within the boundaries of CFD No. 2005-01 for information relative to specific retention, utilization, expenditure, investment or management of CFD No. 2005-01 S/T, Bond proceeds or special tax revenue allocations. FJUHSD has not received any requests for an Annual Report as defined in Government Code Section 53343.1. As noted, the Bond proceeds of CFD No. 2005-01 were expended for authorized School Facilities following the issue of the Bonds by CFD No. 2005-01.

In the event that FJUHSD were to receive such a request, it would respond to any such request with the intent and goal of helping to identify taxpayers or FJUHSD residents and to satisfy their informational or documentary needs.

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

Response: With respect to CFD No. 2005-01, FJUHSD does not agree with the Finding F.2.

Explanation:

As stated above, FJUHSD provides annual reporting to the Board in compliance with Government Code Sections 50075.3 and 53411 which require the filing of annual reports on all voter-approved special taxes and bonded indebtedness. This reporting provides a breakdown of revenue and expenditures for both bond proceeds as well as annual special taxes.

F.3. While the assumption is that 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.

Response: With respect to CFD No. 2005-01, FJUHSD does not agree with the Finding F.3.

Explanation:

FJUHSD respectfully submits, based on the limited amount of Bonds issued, the timely applicable expenditures thereof, the limited provisions of CFD No. 2005-01 S/T authorized and the remaining period (2035) for such special taxes to be levied, that Finding F.3 does not apply to CFD No. 2005-01.

In accordance with Penal Code Section 933.05(b) with respect to the Recommendations outlined in the previously referenced 2015 Grand Jury Report, the Fullerton Joint Union High School District provides the following responses:

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)

Response: The FJUHSD does not believe that Recommendation R.1 needs be implemented because it is not warranted as to CFD No. 2005-01.

Explanation:

Based on the explanation herein of the limited extent of CFD No. 2005-01 funding and CFD No. 2005-01 S/T, FJUHSD respectfully submits Recommendation R.1. is not applicable to CFD No. 2005-01. As noted, all Bond proceeds of CFD No. 2005-01 have been expended and CFD No. 2005-01 S/T can only be levied for debt service and costs of administration until the Bonds of CFD No. 2005-01 are retired in 2035. However, FJUHSD, on behalf of CFD No. 2005-01, will provide such information as required by Government Code § 53343.1 when requested by a resident or property owner in FJUHSD. FJUHSD further advises:

1. FJUHSD staff members are professional, responsible, dedicated, and experienced persons, including management-level employees, whose responsibility is to oversee the management of CFD No. 2005-01 and its CFD No. 2005-01 S/T. Therefore CFD No. 2005-01 provides all timely and responsive information desired by residents, property owners in CFD No. 2005-01, or interested third parties.

2. While other public agencies may have multiple CFDs with additional bonds to be issued and receive special taxes greater than debt service and cost of CFD administration, that is not the case with CFD No. 2005-01. It is respectfully submitted that FJUHSD operates and will continue to manage and oversee CFD No. 2005-01 in an open and publicly accessible manner to the extent of the limited CFD No. 2005-01 S/T that will cease in 2035.

3. Annual CFD No. 2005-01 S/T and expenditures are reported annually to the Board of FJUHSD in compliance with Government Code Sections 50075.3 and 53411.

On February 15, 2005, CFD No. 2005-01 issued \$2,050,000 of the \$3,000,000 in bonds that were authorized. Bond proceeds in the amount of \$815,292.50 were distributed to FJUHSD and \$681,881 was distributed to BPSD. All Bond proceeds have been expended on authorized school facilities. At this point, CFD No. 2005-01 S/T are only used to pay for debt service and costs of administration of CFD No. 2005-01.

The annual special tax requirement necessary to cover the debt service and pay for administrative expenses is approximately \$163,000 or \$1,392 per parcel. Although the maximum allowable special tax per parcel is \$1,782, FJUHS is only levying 78.15% of this amount. The FJUHSD has made a conscious effort to actually reduce and then maintain the annual CFD No. 2005-01 S/T at the constant level of \$1,392 beginning in 2013/14, when it was lowered from \$1,429.82. Annual tax levy information since inception of CFD No. 2005-01 is provided in the table below.

Fiscal Year	No. of Parcels Levied	Total Annual Levy	Levy per Unit
2005/06	117	\$181,822.68	\$1,554.04
2006/07	117	\$175,134.96	\$1,496.88
2007/08	117	\$174,449.34	\$1,491.02
2008/09	117	\$178,942.14	\$1,529.42
2009/10	117	\$182,063.70	\$1,556.10
2010/11	117	\$174,601.44	\$1,492.32
2011/12	117	\$167,738.22	\$1,433.66
2012/13	117	\$167,288.94	\$1,429.82
2013/14	117	\$162,948.24	\$1,392.72
2014/15	117	\$162,948.24	\$1,392.72
2015/16	117	\$162,948.24	\$1,392.72

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)

Response: Recommendation R.2 does not need to be implemented because it is not warranted with respect to CFD No. 2005-01 under the limited facts described herein applicable to CFD No. 2005-01. The community within FJUHSD, including CFD No. 2005-01, has requested neither audit information or the Annual Report as described in Government Code § 53343.1.

Explanation:

Government Code § 53343.1 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 district, within 120 days after the last day of each fiscal year, a separate document titled an "Annual Report."

As previously stated, FJUHSD has not received any requests from any residents, or property owners within the boundaries of CFD No. 2005-01 for information relative to specific retention, utilization, expenditure, investment or management of CFD No. 2005-01 S/T Bond proceeds or special tax revenue allocations. Additionally and as previously stated, FJUHSD provides annual reporting to the Board in compliance with Government Code Sections 50075.3 and 53411 which require the filing of annual reports on all voter-approved special taxes and bonded indebtedness. This reporting provides a breakdown of revenue and expenditures for both bond proceeds as well as annual special taxes.

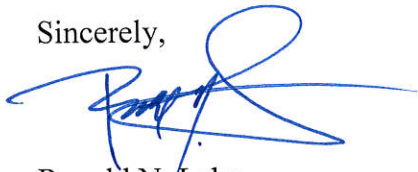
The same information that is be required to be included in an "Annual Report" "if requested by a person who resides in or owns property in district" as required by Government Code § 53343.1, is already being provided annually to the FJUHSD Board. The information is included in the Agenda for the Board Meeting at which it is being reported. The FJUHSD Board Agendas are posted on line at FJUHSD website www.fjuhsd.net. For the past several years this information has been presented to the Board in October or November after the close of the fiscal year on June 30th. In addition, this information is readily available and accessible to the public by contacting FJUHSD.

By reason of the limited nature of CFD No. 2005-01 funding of school facilities for FJUHSD and BPSD, the limited extent of the CFD No. 2005-01 S/T to be levied until 2035, the fact that reporting in compliance with Government Code Sections 50075.3 and 53411 is being accomplished, FJUHSD does not believe that Recommendation R.2. needs to be implemented. This election is based on the limited amount of Bonds issued now outstanding, the limited extent of the CFD No. 2005-01 S/T to terminate in 2035 and the reporting being accomplished by FJUHSD.

However, in the spirit of transparency and in order to provide community members easier access to information pertaining to CFD No. 2005-01, FJUHSD will post the annual report currently being prepared in compliance with Government Code Sections 50075.3 and 53411 to the FJUHSD website prior to December 31, 2015.

If you have any questions, please feel free to contact me at (714) 870-2810.

Sincerely,



Ronald N. Lebs
Assistant Superintendent, Business Services

RL/wd
Attachment

cc: Orange County Grand Jury, 700 Civic Center Drive West, Santa Ana, CA 92701

Kelvin Tsunozumi, Assistant Superintendent, Administrative Services
Buena Park School District



Shari L. Freidenrich, CPA
 Orange County Treasurer - Tax Collector
 P.O. BOX 1438 • Santa Ana, CA 92702-1438
 625 N. Ross Street, Building 11, Room 698, Santa Ana
 Office Hours: 8:00 AM-4:45 PM Monday - Friday
 Phone Hours: 9:00 AM-4:45 PM (714) 834-3411

Exhibit A

DID YOU KNOW?

You can avoid late penalties by paying online at ocgov.com/octaxbill and receiving same day credit! Mailed payments must have a USPS postmark on or before the delinquent date. If you wait until the last day to mail your payment, get your envelope hand-stamped with a postmark to ensure it is timely.

If your property is subject to Mello Roos, we have changed the bond descriptions on your tax bill to reflect the actual bond name. Visit our website at ocgov.com/melloroos for details.

2014-15 SECURED PROPERTY TAX BILL

For Fiscal Year Beginning July 1, 2014 and Ending June 30, 2015

0031166-0031166 PDFE----- 428495 OCT013

Information Protected per CA Govt Code Sect 6254.21
 21 FRANCES CIR
 BUENA PARK CA 90621-5000

PROPERTY LOCATION

21 FRANCES CI BUENA PARK

ASSESSED VALUES & EXEMPTIONS AS OF JANUARY 1, 2014

DESCRIPTION	FULL VALUE	COMPUTED TAX
LAND	308,397	
IMPROVEMENTS - BUILDING	341,603	
TOTAL VALUES:	650,000	8,757.74
HOMEOWNER EXEMPTION	-7,000	-75.72
TOTAL NET TAXABLE VALUE:	643,000	8,682.02

OWNER OF RECORD AS OF 12:01 AM, JANUARY 1, 2014

Information Protected per CA Govt Code Sect 6254.21

PARCEL NO. (APN)	TAX RATE AREA	1st Installment DUE 11/1/14	+	2nd Installment DUE 2/1/15	=	TO PAY BOTH INSTALLMENTS BY 12/10/14
066-591-05	14-002	\$4,341.01		\$4,341.01		\$8,682.02

IMPORTANT INFORMATION

"Go Green Electronically" and pay your secured tax bill online at no cost using a checking or savings account (eCheck) at ocgov.com/octaxbill. Sign up online at ocgov.com/taxreminder to receive an email reminder of the due dates.

Partial payments are not accepted.

Information Protected per CA Govt Code Sect 6254.21

VOTER APPROVED TAXES AND SPECIAL ASSESSMENTS

SERVICE AGENCY	RATE	VALUE	TAXES
BASIC LEVY RATE	1.00000	643,000	6,430.00
BUENA PARK SCHOOL DIST	.04793	643,000	308.18
NOCCD 2002 BOND2005R	.01704	643,000	109.56
FULLERTON UNION HS	.01338	643,000	86.04
METRO WATER D-MWDOC	.00350	643,000	22.50
SPECIAL ASSESSMENT CHARGES			
MOSQ,FIRE ANT ASSMT		PHONE NO. (800)273-5167	5.02
VECTOR CONTROL CHG		(800)273-5167	1.92
MWD WATER STDBY CHG		(866)807-6864	10.08
FULLERTON JT UHS DIST CFD 2005-1		(888)510-0290	1,392.72
OCSD SEWER USER FEE		(714)593-7281	316.00
TOTAL CHARGED	1.08185		8,682.02

FOR DETAILS OF TAX TYPES, VISIT OUR WEBSITE AT OCGOV.COM/OCTAXBILL

THERE WILL BE A \$26 FEE FOR EACH PAYMENT RETURNED UNPAID BY YOUR BANK FOR ANY REASON.

RETAIN TOP PORTION FOR YOUR RECORDS - YOUR CANCELLED CHECK IS YOUR RECEIPT

DETACH AND MAIL STUB WITH 2ND INSTALLMENT IN ENVELOPE PROVIDED
 WRITE YOUR PARCEL NO. ON YOUR CHECK

PARCEL NUMBER (APN)	DELINQUENT AFTER
066-591-05	APRIL 10, 2015

CURRENT OWNER:

Information Protected per CA Govt Code Sect 6254.21

Make checks payable to: County of Orange

COUNTY OF ORANGE
 ATTN: TREASURER-TAX COLLECTOR
 P.O. Box 1438
 Santa Ana, CA 92702-1438

ORANGE COUNTY 2014-15 PROPERTY TAX

Pay taxes online by eCheck or by credit card

ELECTRONIC CHECK No Cost

DISCOVER VISA - 2.3% Fee Min. \$3.95

Scan the code to view and pay your specific parcel online

Second Installment
DUE FEB 1, 2015

2



\$4,341.01

AMOUNT DUE AFTER 4/10/15 (INCLUDES 10% PENALTY + \$23 COST)

\$4,798.11

010665910500008201402041015000043410106301500004798110000000000000000

DETACH AND MAIL STUB WITH 1ST INSTALLMENT IN ENVELOPE PROVIDED
 WRITE YOUR PARCEL NO. ON YOUR CHECK

PARCEL NUMBER (APN)	DELINQUENT AFTER	TO PAY BOTH INSTALLMENTS BY DEC. 10
066-591-05	DECEMBER 10, 2014	\$8,682.02

CURRENT OWNER:

Information Protected per CA Govt Code Sect 6254.21

Make checks payable to: County of Orange

COUNTY OF ORANGE
 ATTN: TREASURER-TAX COLLECTOR
 P.O. Box 1438
 Santa Ana, CA 92702-1438

ORANGE COUNTY 2014-15 PROPERTY TAX

Pay taxes online by eCheck or by credit card

ELECTRONIC CHECK No Cost

DISCOVER VISA - 2.3% Fee Min. \$3.95

Scan the code to view and pay your specific parcel online

First Installment
DUE NOV 1, 2014

1



\$4,341.01

AMOUNT DUE AFTER 12/10/14 (INCLUDES 10% PENALTY)

\$4,775.11

010665910500008201401121014000043410106301500004775110000000000000000

F074-453 (2012)