

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY  
OF ORANGE COUNTY**

*2985 Bear Street · Costa Mesa, California 92626 · (714) 424-5000*

**JOINT POWERS AUTHORITY**

September 22, 2015

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

Re: **Response to the 2014-15 Orange County Grand Jury report -  
Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation.**

Dear Judge Sanders:

This correspondence serves as the response of the Bonita Canyon Public Facilities Financing Authority ("Authority") to the 2014-2015 Grand Jury report entitled Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation ("Report"). Specifically, this correspondence responds to Findings F.1, F.2 and F.3 as well as Recommendations R.1 and R.2 of the Report.

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

**Response:** The Authority disagrees wholly with this finding as it relates to the Authority. The actions of the Authority occur at open, publicly noticed Board meetings, which all community members are welcome to attend. Specifically, the annual budget, fund expenditures and special tax rates are reviewed at an open, publicly noticed Authority Board meeting each year.

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

**Response:** The Authority disagrees wholly with this finding as it relates to the Authority. As previously stated, the actions of the Authority occur at open, publicly noticed Authority Board meetings which all community members are welcome to attend. Expenditures of the CFD funds are audited and the Audit is available for public review. Additionally, the Authority retains consultants, a Trustee Bank and designates school district employees to maintain strong internal audit controls over the CFD and special tax expenditures. Such oversight and auditing is in compliance with the law and appropriate.

**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.**

**Response:** The Authority disagrees wholly with this finding as it relates to the Authority. The CFD special tax has a termination date that cannot be extended without a vote of the special tax payers. Issuing or refunding bonds does not extend the termination date.

**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 recommendation will not be implemented because it is not warranted or reasonable. As stated previously, the Authority retains consultants and designates school district employees to maintain strong internal audit controls over the CFD and special tax expenditures. Expenditures of CFD funds are audited annually and the Audit is reviewed at an open, publicly noticed Authority Board meeting each year. There is already ample opportunity for the public to review any and all CFD fund expenditures, to the same extent any committee could review such expenditures.

**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:** The recommendation will not be implemented because it is not warranted or reasonable.

Section 53343.1 of the California Government Code states that an Annual Report shall be prepared if requested by a person who resides in or owns property in the district. Any information that would be included in an Annual Report under Section 53343.1 is already included on specific disclosures provided when buyers purchased their homes and in reports filed annually on the State Treasurer's (CDIAC) website, and in the Authority Audit on the Newport-Mesa Unified School District website. The Authority is already in compliance with the requirements of Section 53343.1. Additionally, all improvement funds have been expended and authorized facilities have been constructed. The annual special tax is being levied to repay existing debt until the bonds mature in 2028.

Please contact the undersigned at (714) 424-5002 with any questions.

Respectfully submitted,



Paul H. Reed  
Secretary, Bonita Canyon PFFA  
Deputy Superintendent, Newport-Mesa USD

cc: Orange County Grand Jury  
City of Newport Beach – City Manager  
Newport-Mesa Unified School District – Superintendent  
Bonita Canyon Public Facilities Financing Authority – Authority Board