



NEWPORT-MESA Unified School District

2985 Bear Street • Costa Mesa • California 92626 • (714) 424-5000

BOARD OF EDUCATION

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Frederick Navarro, Ed.D., Superintendent

September 23, 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 –
Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency.**

Dear Judge Sanders:

This correspondence serves as the response of the Newport-Mesa Unified School District Public Financing Authority (“Authority”) to the 2014-15 Grand Jury report entitled Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency (“Report”). Specifically, this correspondence responds to Finding F.1, F.4, F.5 and F.6 as well as Recommendations R.1, R.3 and R.5.

F.1. Orange County has nine "inactive" Joint Powers Authorities that have no viable activity, revenue, expenditure, assets, or liabilities. The Grand Jury determined that these Joint Powers Authorities serve no benefit to the public or the taxpayers and have the potential for misuse or obfuscation of public funds.

Response: The Authority agrees with the Finding 1. Copies of emails from the State of California confirming the “inactive” status of The Newport-Mesa Unified School District Public Financing Authority have been included. Explanation of “inactive” status was given at a public meeting of the Board of Education on July 14, 2105.

F.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.

Response: The Newport-Mesa Unified School District Public Financing Authority agrees with the Findings 4; it is a Vertical Joint Powers Authority. Newport-Mesa Unified School District Public Financing Authority did request on March 9, 2015 and receive “inactive” status with the State Controller’s Office.

F.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.

Response: The Newport-Mesa Unified School District Public Financing Authority agrees with the Findings 5; it is a Vertical Joint Powers Authority. Newport-Mesa Unified School District Public Financing Authority did request on March 9, 2015 and receive “inactive” status with the State Controller’s Office.

F.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 SB282 according to the latest information available from the year 2013.

Response: The Newport-Mesa Unified School District Public Financing Authority agrees with the Findings 6; it is a Vertical Joint Powers Authority. Newport-Mesa Unified School District Public Financing Authority did request on March 9, 2015 and receive “inactive” status with the State Controller’s Office.

R.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.)

Response: The recommendation has been implemented. Copies of emails from the State of California confirming the “inactive” status of The Newport-Mesa Unified School District Public Financing Authority have been included. Explanation of “inactive” status was given at a public meeting of the Board of Education on July 14, 2105.

R.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.)

Response: This recommendation has been implemented. An outside audit firm includes the Newport-Mesa Unified School District Public Financing Authority in the annual audit and the audit is posted on the Newport-Mesa Unified School District website. Annual audits have been sent to the County Controller and the State Auditor and will be filed annually.

R.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.)

Response: This recommendation has been implemented.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Paul H. Reed".

Paul H. Reed
Deputy Superintendent and Chief Business Official

cc: Orange County Grand Jury
Dr. Fred Navarro, Superintendent
Newport-Mesa Unified School District Board of Education

Enc: Emails regarding "inactive" status

Patty Dreher

From: STsushima@sco.ca.gov
Sent: Friday, March 06, 2015 10:50 AM
To: Patty Dreher
Cc: TBychkov@sco.ca.gov; JGill@sco.ca.gov
Subject: RE: Newport-Mesa Unified School District Public Financing Authority

Newport-Mesa Unified School District Public Financing Authority's ID # is 12503004800.

From: Patty Dreher [mailto:pdreher@nmusd.us]
Sent: Friday, March 06, 2015 10:04 AM
To: Tsushima, Susan
Cc: Bychkov, Tatyana; Gill, Jaswant
Subject: RE: Newport-Mesa Unified School District Public Financing Authority

Hi Susan,

Thank you for responding to my questions this morning and per our conversation the Newport-Mesa Unified School District Public Financing Authority will send you an email and the signed Cover Page and a General Information page to satisfy the reporting requirements for the State. Paul Reed, Deputy Superintendent and CBO is out of the office today but I will forward report information on Monday.

Would it be possible to verify that the ID Number you have for the above mentioned entity is 95-2417783?

Thank you.

Patty Dreher
Executive Assistant/Confidential, Business Services
Newport-Mesa Unified School District
2985 Bear Street
Costa Mesa, CA 92626
714 424-5002

From: STsushima@sco.ca.gov [mailto:STsushima@sco.ca.gov]
Sent: Friday, March 06, 2015 9:32 AM
To: Patty Dreher
Cc: TBychkov@sco.ca.gov; JGill@sco.ca.gov
Subject: Newport-Mesa Unified School District Public Financing Authority

Hi Patty,

Per our conversation earlier, it appears Newport-Mesa Unified School District Public Financing Authority (NMUSCPFA) is "inactive." If so, please e-mail us a signed and dated "Cover Page" and a "General Information" page to satisfy your requirement (Please see link below).

http://www.sco.ca.gov/Files-ARD-Local/LocRep/Reporting_Forms_-_Special_Districts.pdf

In addition, please e-mail all of us a brief explanation explaining why NMUSCPFA does not financial activity.

Patty Dreher

From: Patty Dreher
Sent: Monday, March 09, 2015 2:41 PM
To: 'STsushima@sco.ca.gov'
Cc: TBychkov@sco.ca.gov; JGill@sco.ca.gov; Patty Dreher; Paul Reed
Subject: RE: Newport-Mesa Unified School District Public Financing Authority
Attachments: Special District Report - NMUSDPFA.pdf

Hi Susan,

Per our conversation last week, please see the attached signed Cover Page and General Information page to satisfy the requirement for the Special District Reporting for the Newport-Mesa Unified School District Public Financing Authority. Additionally, please change the Newport-Mesa Unified School District Public Financing Authority to "inactive" status per the following information.

The Newport-Mesa Unified School District Public Financing Authority was formed in 1994 as a Joint Powers Authority between the school district and its community facilities district 90-1 for the specific task of financing a new district headquarters and other school improvements. The Newport-Mesa Unified School District Public Financing Authority issued Certificates of Participation (COPs) which funded \$3.2 million for construction of the Education Center and another \$1.26 million for heating, ventilation and air-conditioning system at Corona del Mar High School. Reporting of the COPs financing appears in the District's annual audit through the 2009-10 year at which point the COPs were fully paid off. To the best of our knowledge the entity has had no activity, no income and no expense since that time.

Going forward, Newport-Mesa Unified School District Public Financing Authority will file the Cover Page and General Information page to satisfy the requirement for Special District Reporting.

Thank you for your assistance and if you have any questions regarding these documents, please contact me at 714 424-5002.

Patty Dreher
Executive Assistant/Confidential, Business Services
Newport-Mesa Unified School District
2985 Bear Street
Costa Mesa, CA 92626
714 424-5002

From: STsushima@sco.ca.gov [mailto:STsushima@sco.ca.gov]
Sent: Friday, March 06, 2015 9:32 AM
To: Patty Dreher
Cc: TBychkov@sco.ca.gov; JGill@sco.ca.gov
Subject: Newport-Mesa Unified School District Public Financing Authority

Hi Patty,

Per our conversation earlier, it appears Newport-Mesa Unified School District Public Financing Authority (NMUSCPFA) is "inactive." If so, please e-mail us a signed and dated "Cover Page" and a "General Information" page to satisfy your requirement (Please see link below).

Patty Dreher

From: STsushima@sco.ca.gov
Sent: Friday, June 26, 2015 4:12 PM
To: Patty Dreher
Cc: TBychkov@sco.ca.gov; JGill@sco.ca.gov; KFord@sco.ca.gov
Subject: RE: Newport-Mesa USD Public Financing Authority

Hi Patty,

Yes, we've changed your status to "Inactive."

Thank you,

Susan Tsushima
Local Government Reporting Section
State Controller's Office
(916) 323-2373

From: Patty Dreher [mailto:pdreher@nmusd.us]
Sent: Friday, June 26, 2015 4:10 PM
To: Tsushima, Susan
Subject: Newport-Mesa USD Public Financing Authority

Hi Susan,

On March 3, 2015 I sent an email to you to request the Newport-Mesa Unified School District Public Financing Authority to be changed to "inactive" status per the following information.

The Newport-Mesa Unified School District Public Financing Authority was formed in 1994 as a Joint Powers Authority between the school district and its community facilities district 90-1 for the specific task of financing a new district headquarters and other school improvements. The Newport-Mesa Unified School District Public Financing Authority issued Certificates of Participation (COPs) which funded \$3.2 million for construction of the Education Center and another \$1.26 million for heating, ventilation and air-conditioning system at Corona del Mar High School. Reporting of the COPs financing appears in the District's annual audit through the 2009-10 year at which point the COPs were fully paid off. To the best of our knowledge the entity has had no activity, no income and no expense since that time.

Would it be possible to provide documentation to the District that shows that the status is now inactive?

Thank you for your assistance and if you have any questions regarding this email, please contact me at 714 424-5002.

Patty Dreher
Executive Assistant/Confidential, Business Services
Newport-Mesa Unified School District
2985 Bear Street
Costa Mesa, CA 92626
714 424-5002