



CITY OF GARDEN GROVE

(714) 741-5100

September 23, 2015

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

Bao Nguyen
Mayor

Steven R. Jones
Mayor Pro Tem

Christopher V. Phan
Council Member

Phat Bui
Council Member

Kris Beard
Council Member

RE: Response to Orange County Grand Jury Report, *Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency*

Dear Judge Sanders:

I have reviewed the Orange County Grand Jury Report, *Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency*. On behalf of the City of Garden Grove as a member agency of the Orange County Regional Airport Authority (OCRAA), I am providing responses to Findings F4 and F5, and Recommendation R3, as requested by the Grand Jury.

Response to Findings

F4: *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.*

The Orange County Regional Airport Authority is a "horizontal" JPA structural organization made up of multiple Orange County cities; therefore, we do not believe the finding is applicable.

F5: *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 Orange County Regional Airport Authority is a "horizontal" JPA structural organization; therefore, we do not believe the finding is applicable.

Response to Recommendations

R3: *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.)*

The recommendation will not be implemented because it is not warranted. The Orange County Regional Airport Authority effectively ceased operations in 2004 following the passage of the Orange County Measure W in 2003 which prevents an aviation reuse of the El Toro Station. The last activity in the accounts of OCRAA occurred in Fiscal Year 2004. A small cash balance totaling \$3,836.11 remains in the account and will be applied toward formal dissolution of the JPA.

Due to the lack of activity and limited fund balance, an annual outside audit is not warranted. The City of Garden Grove will take the lead to terminate the JPA's existence during Fiscal Year 2015-16.

Sincerely,



SCOTT C. STILES
City Manager

C: Orange County Grand Jury