



# CAPISTRANO UNIFIED SCHOOL DISTRICT

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September 24, 2015

Mr. Paul S. Borzcik  
Foreman  
Orange County Grand Jury  
700 Civic Center Drive West  
Santa Ana, California 92701

Re: Response to Orange County Grand Jury Report, *Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency, 2014-2015.*

Thank you for your report. Out of the ten findings contained in the report, we were asked to respond to the following findings:

**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.

**F.4.** Vertical Joint Powers Authorities with a single controlling entity, such as a city council, have the potential to use this organization structure as a shell company to avoid other legal constraints on the controlling entity and to obfuscate taxpayer visibility.

**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.

**F.6.** 32 of the Joint Powers Authority identified in Orange County are not complying with the California State reporting requirements in code Section 6500 and SB 282 according to the latest information available from the year 2013.

We understand we've been given the following directions to guide our responses to these findings:

As to each Grand Jury finding, the responding person or entity shall indicate one of the following:

- (1) The respondent agrees with the finding
- (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

**Response to F.1:**

- (1) We agree with the finding – while we have not independently reviewed or verified whether there are in fact 9 Joint Powers Authorities that are inactive, we have no reason to disagree with the finding.

**Response to F.4:**

- (1) We agree with the finding.

**Response to F.5:**

- (1) We agree with the finding.

**Response to F.6:**

- (1) We agree with the finding – while we have not independently reviewed or verified whether there are in fact 32 Joint Powers Authorities out of compliance, and Capistrano Unified Public Financing Authority is in

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compliance, we have no reason to disagree with the finding.

Out of the eight recommendations contained in the report, we were asked to respond to the following recommendations:

**R.1.** All Orange County Joint Powers Authorities that are “inactive” should submit their 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.

**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 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.

**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.

We understand we’ve been give the following directions to guide our responses to these recommendations:

As to each Grand Jury recommendation, the responding person or entity shall report one of the following actions:

- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.
- (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.

**Response to R.1:**

(2) The recommendation has not yet been implemented, but will be implemented in the future. The Capistrano Unified Public Financing Authority will submit the official paperwork with the State of California requesting termination of its existence. The timeframe for implementation shall occur by December 31, 2015.

**Response to R.3:**

(4) The recommendation will not be implemented because it is not warranted, since we are agreeing to implement R.1.

**Response to R.4:**

(4) The recommendation will not be implemented because it is not warranted, since we are agreeing to implement R.1.

Response to Orange County Grand Jury Report, *Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency, 2014-2015*  
September 2015

If you have further questions, please feel free to contact me. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Clark Hampton", with a long horizontal flourish extending to the right.

Clark Hampton  
Deputy Superintendent, Business and Support Services  
Capistrano Unified School District