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**VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

September 25, 2015

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

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

Subject: Response of Trabuco Canyon Water District to 2014-2015 Orange County Grand Jury Report – *“Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency”*

Dear Judge Sanders,

As required by Penal Code 933.05, the Trabuco Canyon Water District (“TCWD”) is providing the following response to the 2014-2015 Orange County Grand Jury Report – *“Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency”* (“Report”), Findings F.4 and F.5, and Recommendation R.3:

Finding 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 to Finding F.4: *TCWD disagrees wholly with Finding F.4. The Trabuco Canyon Public Financing Authority (“Authority”) is a joint powers authority duly organized and existing under the Government Code of the State of California, Division 7 of Title 1, Section 6500 et seq., pursuant to a joint exercise of powers agreement dated August 18, 1993, entered into by and between the TCWD and Community Facilities District No. 7 (a Mello-Roos Community Facilities District) of the TCWD. The purpose of the Authority has been to finance and refinance the acquisition, construction, modification, and rehabilitation of public water, wastewater and reclaimed water facilities; and to undertake a program of local agency bond pooled financing, refinancing, and lending pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended (“Marks-Roos Act”).*

The Authority holds public meetings, at a minimum of once a year, posts its agenda items for public

review - consistent with the applicable provisions of the Ralph M. Brown Act (“Brown Act”); and holds its annual public meeting following a TCWD Regular Board of Directors meeting to reduce costs, make more efficient use of staff time, and to encourage and provide for more public participation. On an annual basis, the Authority receives and files, as an action item, its annual audit during which time members of the public can also review and make comments to the Authority in a public meeting format.

The Authority has undertaken one (1) refunding program, completed in 1994, which resulted in millions of dollars of debt service savings to rate-payers and taxpayers within TCWD’s boundaries.

While TCWD does not speak to the actions of other public entities, TCWD’s position is that the Authority is a valuable tool to allow utilization of available financing, and refinancing tools to better serve TCWD and its customers, ratepayers and taxpayers.

Finding 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 to Finding No. F.5: *TCWD disagrees wholly with Finding F.5. The Authority has not received any transferred assets from TCWD for the purpose of obtaining additional funding. The Authority has not signed or entered into any long-term lease, or lease obligations, with TCWD. The Authority has fulfilled its intended purpose of providing financing and refinancing for the acquisition, construction, modification, and rehabilitation of public water, wastewater and reclaimed water facilities; and has undertaking a program of local agency bond pooled financing, refinancing pursuant to the Marks-Roos Act, whereby the public facilities are financed and refinanced to improve service, reduce cost through economies of scale, and which are in the best interest of the TCWD and the residents, property owners ratepayers and taxpayers within TCWD including, but not limited to TCWD’s Mello-Roos Community Facilities Districts.*

Recommendation 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 to Recommendation R.3: *TCWD has already implemented (or already complies with) portions of this recommendation. Specifically:*

(1) on an annual basis and following the closing of its fiscal year, an annual audit is performed of TCWD and the Authority by an outside audit firm;

(2) the annual audit of the Authority has been added to TCWD’s website shown as separate Joint Powers Authority;

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(3) the annual Authority audit has been submitted to the Orange County Controller-Auditor and the State Auditor; and

(4) TCWD will continue to submit such annual audit reports to the Orange County Controller-Auditor and the State Auditor.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Hector Ruiz". The signature is written in a cursive, flowing style.

Hector Ruiz
General Manager