



# CITY OF COSTA MESA

CALIFORNIA 92628-1200

P.O. BOX 1200

FROM THE OFFICE OF MAYOR

STEPHEN M. MENSINGER

September 24, 2015

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

SUBJECT: Response to Grand Jury Report - Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency

The City of Costa Mesa recognizes the complicated issues surrounding Joint Powers Authorities and the effects that the February 1, 2012 dissolution of all California redevelopment agencies may have had on JPAs, and appreciates the Grand Jury's work on this report. Please see the attached general comments and specific City responses to the findings and recommendations of the Grand Jury report.

If you have any questions or need additional information, please contact Steve Dunivent, Interim Finance Director at (714) 754-5243.

Sincerely,  


STEPHEN M. MENSINGER  
Mayor

cc: Orange County Grand Jury  
Council Members  
Tom Hatch, CEO  
Rick Francis, Assistant CEO  
Tamara Letourneau, Assistant CEO  
Steve Dunivent, Interim Finance Director

Attachment

**City of Costa Mesa  
Costa Mesa Housing Authority  
and  
Successor Agency to the Costa Mesa Redevelopment Agency**

Response to Grand Jury Report:  
Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency  
Issued June 29, 2015

**GENERAL COMMENTS**

Costa Mesa recognizes the complicated issues surrounding Joint Power Authorities and the effects that the February 1, 2012 dissolution of all California redevelopment agencies may have on JPAs and appreciates the Grand Jury's work on this report. All of the Costa Mesa entities take great measures to ensure transparency in all activities. The City of Costa Mesa web site (<http://costamesaca.gov/>) posts information and documents disclosing the agendas, actions, membership, activities, finances and audits of all Costa Mesa committees, commissions, agencies and authorities, including the City of Costa Mesa ("City"), the Costa Mesa Housing Authority ("CMHA"), and the Successor Agency to the Costa Mesa Redevelopment Agency ("Successor Agency") as discussed in this response letter (together, referred to as "Costa Mesa").<sup>1</sup>

Following resolution of legal ownership of the Orange County Fairgrounds, the Orange County Fairgrounds Authority was dissolved on February 17, 2015.

Specific steps taken by the City of Costa Mesa, the Costa Mesa Housing Authority, and the Successor Agency to the Costa Mesa Redevelopment Agency to address the dissolution process, both pre- and post-February 1, 2012 when the former Costa Mesa Redevelopment Agency ("former Agency") was dissolved, include the following:

- The now dissolved Costa Mesa Redevelopment Agency was established as a redevelopment agency that was organized and existing under the California Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.*, and previously authorized to transact business and exercise powers of a community redevelopment agency pursuant to actions of the City Council of the City of Costa Mesa ("City Council"). Assembly Bill x1 26 ("AB x1 26") added Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code ("HSC") and caused the dissolution of all redevelopment agencies and the continued wind down of the affairs of former agencies, including as such dissolution laws were thereafter amended by Assembly Bill 1484 ("AB 1484")

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<sup>1</sup> The Oversight Board to the Successor Agency to the Costa Mesa Redevelopment Agency is the seven-member board that oversees and reviews actions of the Successor Agency. While the Oversight Board is not a "Costa Mesa" entity, *per se*, the Oversight Board is discussed in this response letter and its role and duties relating to the Dissolution Law are important to Costa Mesa's responses to the Grand Jury Report.

enacted and effective on June 27, 2012, and other subsequent legislation (together, the "Dissolution Law").

- On September 6, 2011 the City Council adopted Resolution No. 11-37 making the election and designating the City as the lawful Successor Agency to the Costa Mesa Redevelopment Agency in compliance with AB x1 26. In this regard and at that time, the City elected to serve as the Successor Agency upon and as of dissolution on February 1, 2012; however, it is noted that AB 1484 added subdivision (g) to Section 34173, which caused the Successor Agency to separate from the City and become "a separate public entity from the public agency that provides for its governance and the two entities shall not merge..." (This statute applies not only to the Costa Mesa Successor Agency, but to all California successor agencies and their host cities.)
- Under the California Housing Authorities Law (HAL), HSC Section 34200, *et seq.*, there exists in every city a housing authority, which entity is an arm of the State, is activated by action of the city council and its statutory purpose is to promote and provide decent, safe and sanitary housing in the community. Further, in preparation for and response to AB x1 26, in January 2012 the City Council adopted an ordinance activating the Costa Mesa Housing Authority pursuant to the HAL and then by resolution selected the CMHA to be the "housing successor" under the Dissolution Law on, as of and after February 1, 2012. Therefore, the CMHA operates both under the HAL and serves as the housing successor under the Dissolution Law, in particular Sections 34176 and 34176.1 (as amended by Senate Bill 341, effective on January 1, 2014.) In its role as housing successor, the CMHA assumed the housing assets, affordable housing functions and obligations of the former Agency under the affordable housing laws of the California Community Redevelopment Law, HSC Section 33000, *et seq.*
- As of February 1, 2012 the former Agency was dissolved pursuant to the Dissolution Law, and as that separate public entity, corporate and politic, the Successor Agency administers the non-housing enforceable obligations of the former Agency and otherwise unwinds the former Agency's affairs, all subject to the review and approval by the seven-member Oversight Board.
- The Successor Agency is responsible for payment of the remaining debt obligations of the former Agency.
- Pursuant to Section 34179 of the Dissolution Law, the Successor Agency's Oversight Board was formed and its initial meeting occurred on April 19, 2012.
- As noted, the CMHA separately holds the housing assets and assumed the housing duties and obligations of the former Agency's low and moderate income housing fund, but that account is now called the Low and Moderate Income Housing Asset Fund ("LMIHAF") under Section 34176. In early 2013, the State Department of Finance ("DOF") approved the CMHA's housing asset transfer

schedule that was submitted to the DOF in July 2012, also pursuant to Section 34176 of the Dissolution Law.

- Section 34179 provides that the Oversight Board has fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188 of the Dissolution Law.
- The Successor Agency caused to be completed the statutory due diligence review audits (“DDRs”) conducted by an independent, professional auditing firm, and in 2013 the DOF reviewed and approved with comments both DDRs, the housing and non-housing audits.
- Every six-month fiscal period from January 1, 2012 through the present, the Successor Agency has prepared, approved and submitted to its Oversight Board, and the Oversight Board has reviewed, approved and directed submittal to the DOF, the State Controller’s Office (“SCO”), and to the County of Orange, both the Auditor-Controller and the County Administrative Officer (together, “County”), an administrative budget and Recognized Obligation Payment Schedule (“ROPS”). Each administrative budget is a line item on the respective ROPS; and all of the ROPS since dissolution, including ROPS I, II, III, 13-14A, 13-14B, 14-15A, 14-15B and 15-16A were approved by the DOF, some with modifications as directed by the DOF. The Successor Agency and Oversight Board will submit to the DOF the next ROPS for the next fiscal period 15-16B, January 1, 2016 to June 30, 2016, by October 1, 2015 pursuant to HSC Sections 34173, 34177, 34178 and related statutes.
- The SCO conducted the statutory audit of the former Agency and Successor Agency for the period January 1, 2011 through June 30, 2012 and issued its final report in January 2015 under the Dissolution Law.
- The City and Successor Agency too are petitioners in a legal action pending in Sacramento Superior Court (Case No. 34-2013-80001675-CU-WM-GDS) filed by Costa Mesa in October 2013 against the DOF, the SCO, the County, and the affected taxing entities, which relates to the “City/Agency” loan initially entered into between the City and the former Agency at the agency’s inception.

In summary, the City, the CMHA and the Successor Agency have responded timely and in compliance with the Dissolution Law relating to the wind down and dissolution of the former Agency; these entities have mechanisms in place to close out the obligations of the former Agency, and for the CMHA to continue to administer, provide and undertake affordable housing programs and projects in the community pursuant to the HAL and Dissolution Law. All Costa Mesa entities work ongoing, intentionally and diligently to be and remain open and transparent by providing the public and all interested persons and entities with information on matters affecting the community, including all matters relating to dissolution of the former Agency.

## 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.

Costa Mesa response not required.

- F.2. Horizontal Joint Powers Authorities among peer organizations appear to meet the intent of State laws to delegate a common service for a city or other legal entity for the purpose of reducing cost on behalf of the taxpayers.

Costa Mesa response not required.

- F.3. Orange County has 18 vertical Joint Powers Authorities created by a city along with its redevelopment agency that no longer exists. 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.

**Costa Mesa’s response:** Costa Mesa disagrees partially with this finding. While the potential for misuse or obfuscation of public funds might exist, Costa Mesa is in full compliance with the laws regarding the creation, management, reporting, and dissolution of the Costa Mesa Public Financing Authority (“Authority”), its Joint Powers Authority (“JPA”). The Costa Mesa Public Financing Authority was created by a joint powers agreement entered into between the City of Costa Mesa and the Costa Mesa Redevelopment Agency on August 20, 1990. The Authority was created pursuant to Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code in accordance with the provisions of the law titled the Marks-Roos Local Bond Pooling Act of 1985, as amended. The Authority was created for the purpose of providing financing for capital improvements, acquisition of capital improvements, and the purchase of local obligations. The Authority was created, and has been maintained, in full compliance with State law. Additionally, all financial activity of the Authority is included in the City’s Comprehensive Annual Financial Reports<sup>2</sup> (“CAFR”), and the Authority undergoes a separate annual outside audit. Costa Mesa’s CAFR reports and the Authority’s annual audit reports are posted on the City’s web page for review. There is no misuse or obfuscation of public funds by the Authority as a JPA.

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<sup>2</sup> A Comprehensive Annual Financial Report (CAFR) is a set of U.S. government financial statements comprising the financial report of a state, municipal or other governmental entity that complies with the accounting requirements promulgated by the Governmental Accounting Standards Board (GASB).

- 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.

**Costa Mesa's response:** Costa Mesa disagrees partially with this finding. See Costa Mesa's response to F.3. above.

- 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.

**Costa Mesa's response:** Costa Mesa disagrees with this finding. JPA bonds are often secured by contracts between a city and a JPA. Such contracts are authorized by the Joint Exercise of Powers Act<sup>3</sup> ("JPA Act"), fully transparent and provide substantial financial benefits to taxpayers.

#### CONTRACTS BETWEEN JPAs AND LOCAL AGENCY MEMBERS ARE AUTHORIZED BY LAW

Article 4 of the JPA Act authorizes JPAs to issue bonds. The State Legislature adopted Article 4 in response to "a critical need within the state to expand, upgrade, and otherwise improve the public capital facilities of local government," which need "greatly exceed[s] the amount of funds available from existing" sources.<sup>4</sup>

JPAs that do not have independent revenue sources routinely contract with their local agency members in order to secure the repayment of JPA bond issuances. These arrangements are expressly authorized by the JPA Act.<sup>5</sup> The contracts may take the form of installment purchase agreements or lease agreements. Under these structures, JPAs issue bonds and deliver the bond proceeds to a local agency to finance public improvements. In consideration therefor, a local agency sells or leases property to a JPA and repurchases such property on an installment basis or leases such property back for a specified term. The JPA applies the payments that are received from the local agency to repay the bonds. The JPA Act prohibits the State from impairing or altering these contractual arrangements.<sup>6</sup>

Both cities and JPAs are authorized to enter into such agreements. A city's power to enter into contracts to acquire, lease and dispose of property is among the most basic of municipal powers.<sup>7</sup> With respect to JPAs, the JPA Act grants JPAs all

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<sup>3</sup> Government Code Sections 6500-6599.3.

<sup>4</sup> JPA Act 6584.5.

<sup>5</sup> See e.g. JPA Act 6588(j), (k), (l), (m), (n) and (r).

<sup>6</sup> JPA Act 6596.

<sup>7</sup> See e.g. Government Code Sections 37350 et seq. and 37380 et seq.

powers that are held in common by their local agency members or set forth in their joint exercise of powers agreements.<sup>8</sup>

## CONTRACTS BETWEEN JPAs AND LOCAL AGENCY MEMBERS ARE FULLY TRANSPARENT

JPA bonds are authorized (and the related contracts are approved) after a noticed public hearing, with certain limited exceptions for utility and school facility financings.<sup>9</sup> Financings that are not subject to the noticed public hearing requirement are approved at regular public meetings of the JPA.<sup>10</sup> The public has the same opportunity to comment on such matters as it does for all other public business undertaken by the JPA. Minutes of JPA meetings are retained by JPAs or local agency members and financial information for JPAs is publicly available (and often consolidated with that of a local agency member in accordance with generally accepted accounting principles for public agencies).<sup>11</sup> Similarly, local agency members approve the contracts that secure JPA bonds at public meetings that are subject to the Ralph M. Brown Act, California Government Code Section 54950, *et seq.*<sup>12</sup>

Installment purchase agreements are often payable from a local agency's enterprise revenues (for instance, municipal water or wastewater system revenues). In such cases, the revenues that are pledged to repay JPA bonds are generated from rates and charges that have been adopted in accordance with Proposition 218.

Lease agreements may be payable from a local agency's general fund or other legally available revenues, but they are subject to the following protections under State law: (i) the leased property must serve a public purpose; (ii) lease payments must be abated if the local agency does not have beneficial use and occupancy of the leased property; (iii) lease payments may not be accelerated; (iv) lease provisions must be similar to commercial lease provisions for similar facilities; and (v) the lease term may not extend beyond the expected useful life of the leased property.<sup>13</sup> These requirements ensure that leased property is used to undertake a local agency's public business on commercially standard terms.

The federal and state tax exemption for JPA Bonds also provides transparency to taxpayers. JPA bonds will lose their tax exemption if the proceeds thereof are not applied to finance or refinance public capital improvements.<sup>14</sup>

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<sup>8</sup> JPA Act 6502 and 6508.

<sup>9</sup> JPA Act 6586.5.

<sup>10</sup> JPA Act 6592.1.

<sup>11</sup> Federal Accounting Standards Advisor Board Statement of Federal Financial Accounting Concepts 2; Statement of Federal Financial Accounting Standards 47.

<sup>12</sup> JPA Act 6586.5.

<sup>13</sup> See e.g. City of Los Angeles v. Offner (1942) 19 Cal.2d 483; Dean v. Kuchel (1950) 35 Cal.2d 444.

<sup>14</sup> Internal Revenue Code Section 103.

## CONTRACTS BETWEEN JPAs AND LOCAL AGENCY MEMBERS PROVIDE SUBSTANTIAL FINANCIAL BENEFITS TO TAXPAYERS

A JPA may only issue bonds if the local agency member finds that there are "significant public benefits" to the JPA bond issuance. Such benefits include demonstrable interest rate or bond issuance savings, significant reductions in user charges, employment benefits or more efficient delivery of public services.<sup>15</sup> In addition, the public capital improvements to be financed must be located within the geographic boundaries of a local agency member.<sup>16</sup>

Contracts between JPAs and local agencies allow local agencies to finance needed capital improvements by leveraging existing revenue streams (in the case of installment purchase agreements) or existing real property assets (in the case of lease agreements). This is especially important when financing public facilities that do not themselves generate revenues, such as police stations, fire stations and civic centers.

In cases where a local agency is unable to issue bonds directly, many professional financial advisors advise local agencies that JPA bonds will be better received in the marketplace (and thereby enjoy a lower interest rate) than certificates of participation or other alternative financial structures. For this reason, local agencies' ability to contract with JPAs to secure the repayment of JPA bonds lowers the costs of public capital improvements.<sup>17</sup>

### THE ABOVE DISCUSSION APPLIES TO VERTICAL JPAS

There is no distinction in the JPA Act between so-called "Vertical JPAs" (those in which the same individuals act as the governing board of: (i) the JPA's member entities; and (ii) the JPA) and "Horizontal JPAs." Like all California JPAs, so-called "Vertical JPAs" are authorized by law, fully transparent and provide substantial financial benefits to taxpayers.

- 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 SB 282 according to the latest information available from the year 2013.

Costa Mesa response not required.

- F.7.** The Orange County Auditor-Controller knows of the Joint Powers Authorities in which the County is a member, but does not have a list of all of the Joint Powers Authorities in Orange County and cannot confirm compliance of their submittal for public access. The Orange County Auditor-Controller does not provide easy- to-

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<sup>15</sup> JPA Act 6586.

<sup>16</sup> JPA Act 6586.5.

<sup>17</sup> See e.g. CDIAC California Debt Issuance Primer, Chapter 9; Marks Roos Bonds; Policy Considerations.



use online access to the data submitted to it by the Joint Powers Authorities that are compliant with the requirement to submit.

Costa Mesa response not required.

- F.8.** The Foothill Transportation Corridor Agency and the San Joaquin Transportation Corridor Agency have a joint debt level of over \$4.5 billion. The Grand Jury has determined that this debt level is excessive based on their revenues, and it threatens to render them insolvent.

Costa Mesa response not required.

- F.9.** The Orange County Fire Authority has an off-the-books unfunded debt liability of \$577 million which the Grand Jury has determined to be of concern since it is a real liability on the County taxpayers.

Costa Mesa response not required.

- F.10.** The Anaheim Public Financing Authority has a debt exposure of \$1.2 billion which the Grand Jury has determined to be excessive in light of the fact that it was incurred without voter approval.

Costa Mesa response not required.

## RECOMMENDATIONS

- 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.)

Costa Mesa response not required.

- R.2.** All Vertical Joint Powers Authorities created by a city along with its redevelopment agency should submit the necessary paperwork with the State of California requesting termination of their existence.

**Costa Mesa’s response:** The recommendation has not yet been implemented but will be implemented in the future. The Authority will not be terminated until all bonds issued by the Authority (i.e., with the former Agency) are no longer “outstanding” and paid in full. See response to F.3. above.

As explained in more detail in the General Comments section above, on September 6, 2011 the City Council adopted Resolution No. 11-37 designating the City as the Successor Agency under the Dissolution Law. A certified copy of Resolution No. 11-37 was filed with the Orange County Auditor-Controller on August 25, 2015. The Successor Agency now is and acts as a separate public entity pursuant to HSC Section 34173(g). The Successor Agency will oversee

dissolution and the payment obligations relating to the former Agency's outstanding debt for the entire period that any and all such debts of the former Agency remain outstanding and until repaid in full.

Further, for any JPA originally formed between a city and former redevelopment agency (now the parties are the city and successor agency) that issued (i) tax allocation bonds or (ii) any other type of bonds issued by a JPA and the security for which includes an affirmative "pledge" of tax increment revenues pledged by the former redevelopment agency, in every instance, the security agreements and related bond documents expressly state, in effect, that to the extent permitted by law, the JPA agrees that during the term, i.e., *while the Bonds are outstanding, the JPA will maintain its existence as a joint powers authority*, or other similar provision. Importantly too, the Dissolution Law itself, in particular HSC Sections 34178, subdivisions (b)(1) and (b)(3) expressly provide that security agreements entered into in connection with the issuance of tax allocation bonds, including pledges of tax increment, are valid notwithstanding the dissolution of all California redevelopment agencies. The full text of those subdivisions provides:

"(b) Notwithstanding subdivision (a), any of the following agreements are not invalid and may bind the successor agency:

- (1) A duly authorized written agreement entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations ...
- (3) A joint exercise of powers agreement in which the redevelopment agency is a member of the joint powers authority. However, upon assignment to the successor agency by operation of the act adding this part [1.85], the successor agency's rights, duties, and performance obligations under that joint exercise of powers agreement shall be limited by the constraints imposed on successor agencies by the act adding this part."

Importantly too it is noted that the State (DOF and SCO) has reviewed and approved dozens of refundings of bonds issued by former redevelopment agencies (including JPAs to which the former redevelopment agency was a party and now it is the successor agency). The Grand Jury Report for unknown reasons never mentions or cites to HSC Section 34178, which expressly provides the legal basis and reason why JPAs between a city and a former agency, now between the city and a successor agency validly continue to exist under the law.

- 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.)

**Costa Mesa's response:** The recommendation has been implemented.

Costa Mesa Public Financing Authority

- (1) The Costa Mesa Public Financing Authority undergoes annual outside audits, the most recent audit report dated June 30, 2014.
- (2) Outside audit reports for the past three years are posted as a separate joint powers entity on the City's web site in the City Transparency section.
- (3) Annual outside audit reports have been sent to the Orange County Auditor-Controller and the California State Controller.
- (4) The City's Finance Department has responsibility for filing copies of annual audit reports with the Orange County Auditor-Controller, California Department of Finance, and California State Controller.

Successor Agency to Costa Mesa Redevelopment Agency

- (1) The Successor Agency to the Costa Mesa Redevelopment Agency underwent an outside audit for the five-month period of February 1, 2012 through June 30, 2012, the period immediately following the dissolution of the Costa Mesa Redevelopment Agency and transfer of assets and liabilities to the Successor Agency. On January 28, 2015 the California SCO issued its *Asset Transfer Review* report finalizing the asset transfers made by the Costa Mesa Redevelopment Agency as part of its dissolution. The finances of the Costa Mesa Redevelopment Agency have been included in Costa Mesa's annual CAFR. Additionally, as noted above, the Successor Agency submits semi-annual administrative budgets and ROPS to the State DOF, the SCO, and County.
- (2) The single outside audit report and subsequent CAFR reports are posted on the City's web site (<http://www.costamesaca.gov/>) in the City Transparency section.
- (3) The single audit report and CAFR reports have been sent to the SCO and the Orange County Auditor-Controller.
- (4) The City's Finance Department has responsibility for filing copies of financial and audit reports with the DOF, SCO, and Orange County Auditor-Controller.

Further, as noted, any JPA originally formed between a city and former redevelopment agency (now the parties are the city and successor agency) that issued (i) tax allocation bonds or (ii) any other type of bonds issued by a JPA for which the security includes a pledge of tax increment revenues pledged by the former redevelopment agency, in every instance the security agreements and related bond documents expressly state, in effect, that "to the extent permitted by law, the JPA agrees that during the term, i.e., while the Bonds are outstanding, the JPA will maintain its existence as a joint powers authority, or other similar provision.

Importantly too, the Dissolution Law itself, in particular HSC Sections 34178, subdivisions (b)(1) and (b)(3) expressly provide that security agreements entered into in connection with the issuance of tax allocation bonds are *valid notwithstanding the dissolution of all California redevelopment agencies*. The full text of those subdivisions provides:

“(b) Notwithstanding subdivision (a), any of the following agreements are *not invalid and may bind the successor agency*:

- (1) A duly authorized written agreement entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations ...
- (3) A joint exercise of powers agreement in which the redevelopment agency is a member of the joint powers authority. However, upon assignment to the successor agency by operation of the act adding this part [1.85], the successor agency's rights, duties, and performance obligations under that joint exercise of powers agreement shall be limited by the constraints imposed on successor agencies by the act adding this part.”

Importantly too it is noted that the State (DOF and SCO) has reviewed and approved dozens of refundings of bonds issued by former redevelopment agencies (including JPAs to which the former redevelopment agency was a party and now it is the successor agency). The Grand Jury Report for unknown reasons never cites to Section 34178, which expressly provides the legal basis and reason why JPAs between a city and a former agency, now between the city and a successor agency continue to exist under the law.

- 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.)

Costa Mesa response not required.

- R.5.** The Orange County Auditor-Controller should maintain a current list of all of the Joint Powers Authorities in Orange County, confirm that reports have been submitted annually, and post the completed reports with all the details on an easy-to-use Internet public access website. (F.7.)

Costa Mesa response not required.

- R.6.** The Foothill Transportation Corridor Agency and the San Joaquin Transportation Corridor Agency should address their solvency by an aggressive plan to reduce their public debt. (F.8.)

Costa Mesa response not required.

- R.7.** The Orange County Fire Authority should address their lack of transparency by providing public disclosure of their off-the-books unfunded public liability in their financial statements and address their solvency by an aggressive plan to reduce their unfunded liabilities. (F.9.)

Costa Mesa response not required.

- R.8.** The City of Anaheim City Council should redress the debt incurred by the Anaheim Public Financing Authority under its direction by an aggressive plan to reduce their public debt. (F.10.)

Costa Mesa response not required.