



Public Cable Television Authority
A Joint Powers Agency

Serving the Cities of Fountain Valley, Huntington Beach, Stanton and Westminster
10200 Slater Avenue, Fountain Valley, CA 92708

September 28, 2015

Honorable Glenda Sanders
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701
RE: Response to Orange County Grand Jury Report

Dear Presiding Judge Sanders:

I write to you on behalf of the Public Cable Television Authority ("PCTA") concerning the 2014-2015 Orange County Grand Jury Report entitled, "Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency" ("Report"). In accordance with Penal Code section 933.05, below is a response concerning each of the Report's findings and recommendations for which a response was requested from PCTA.

RESPONSES TO FINDINGS

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.

The PCTA disagrees with this finding to the extent it purports to relate to the PCTA. The PCTA operates as a horizontal Joint Powers Authority ("JPA"), as that term is used in the Report, not a vertical JPA. Four cities — Fountain Valley, Huntington Beach, Stanton and Westminster — came together to form the PCTA to further common goals related to cable television regulation and local public, educational and government programming.

The PCTA is a separate legal entity governed by a Board of Directors that is entirely separate and distinct from the governing boards of any of PCTA's member cities. The PCTA Board is comprised of eight (8) Directors — two representing each member city. Each member city's respective city council appoints two of its council members to serve as Directors on the PCTA Board. Due to the composition of the PCTA Board, none of the member cities has the ability to control the Board through a majority voting block. Therefore, the agency has a governing authority structure that is capable of providing self-correction and accountability through built-in organizational checks and balances. Further, each member city is motivated to have the PCTA perform better than the individual member city could perform alone. If the PCTA is not providing

the desired results, the member cities may withdraw from the PCTA and thereafter perform alone.

Based on the foregoing, the PCTA is properly characterized as a horizontal JPA, as that term is use in the Report, not a vertical JPA.

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.

The PCTA disagrees with this finding to the extent it purports to relate to the PCTA. For the reasons explained in response to Finding F.4, above, the PCTA is a horizontal JPA, not a vertical JPA. Further, none of the PCTA member entities have transferred assets to the PCTA for the purpose of obtaining additional funding, and none of the PCTA member entities have signed a long-term lease to the PCTA for the purpose of obtaining assets.

RESPONSES TO RECOMMENDATIONS

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.)

The PCTA agrees that transparency is critical. This recommendation requires minimal implementation on the part of the PCTA because the agency is already performing the large majority of the listed actions on an annual basis. More specifically, the PCTA already completes a thorough outside audit each fiscal year. Once finalized, those audits are presented to the Board at one of its regularly scheduled public meetings. Although the PCTA has not historically made the audits available as physically separate documents on its website, it will do so on a going forward basis, including having the most recent fiscal years' audits made available there in the coming weeks. The PCTA will also ensure that a copy of the annual audit is sent to the County Controller and the State Auditor each year. This past fiscal year's audit was sent to the County at the County's request. As for filing the required annual reports with the County Auditor Controller and the State Controller, the PCTA is already doing so and will continue to do so in the future.

Thank you for the opportunity to respond concerning these matters.

Sincerely,



John Borack
General Manager, Public Cable Television Authority

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