



CARPINTERIA
Sanitary District

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October 29, 2015

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

Subject: Response to 2014-15 County of Orange Grand Jury Report
Joint Powers Authorities: Issues of Viability, Control, Transparency and Solvency

Dear Judge Sanders:

The Coastal Districts Financing Authority (CDFA) is a joint exercise of powers authority formed in 1993 for the purpose of issuing revenue bonds to finance the acquisition, construction and improvement of certain public capital improvements by its member agencies. CDFA has two member agencies: the Carpinteria Sanitary District, an independent special district located in Santa Barbara County; and the South Coast Water District, an independent special district located in Orange County. The Carpinteria Sanitary District is providing this response on behalf of CDFA as it is the only member agency that has outstanding revenue bonds issued through CDFA. South Coast Water District currently has no bond indebtedness associated or affiliated with CDFA.

RESPONSE TO FINDINGS AND RECOMMENDATIONS

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.

The Coastal Districts Financing Authority (CDFA) disagrees wholly with this finding. CDFA is a joint exercise of powers authority organized and existing under the laws of the State of California. CDFA has two member agencies: the Carpinteria Sanitary District, an independent special district located in Santa Barbara County; and the South Coast Water District, an independent special district located in Orange County. The CDFA Board is made up of representatives from both member agencies and should be considered a "horizontal" JPA. In addition to the fact that CDFA does not have a single controlling entity, CDFA acts in accordance with all relevant statutes, including transparency laws such as the Brown Act, the California Public Records Act, and the Political Reform Act.

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.

The CDFA disagrees wholly with this finding. There has been no transfer of assets from Carpinteria Sanitary District or South Coast Water District to CDFA, nor has any long term lease been executed by CDFA or its member agencies for the purpose of obtaining assets. CDFA acts in accordance with all relevant statutes, including transparency laws such as the Brown Act and the Public Records Act. The sole purpose of CDFA is to provide a conduit for its two member agencies to access the municipal bond market so that financing of publicly owned capital improvements can be obtained at the lowest overall cost to taxpayers. As such, CDFA should be considered a "horizontal" JPA.

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..

This recommendation requires further analysis. Government Code Section 6505(a) seeks to ensure strict accountability of all funds and reporting of all receipts and disbursements by joint powers authorities. CDFA holds no funds of any kind and has no financial transactions, receipts or disbursements. Despite this fact, each year CDFA files a *Special Districts Financial Transaction and Compensation Report* with the State Controller's Office as well as a *Local Government Compensation Report* with the Controller's Division of Accounting and Reporting.

In November 2012 the Carpinteria Sanitary District, through CDFA, issued its 2012 Wastewater Revenue Bonds. This bond indebtedness is reflected and accounted for each year in the Carpinteria Sanitary District's Comprehensive Annual Financial Report (see <http://carpsan.com/wp-content/uploads/2014/12/CAFR-2014.pdf>), which is duly filed with the County Controller and the State Auditor. Additional information on these revenue bonds is made publicly available through publication of a Continuing Disclosure Annual Report.

Since formation of CDFA in 1993, annual outside audits of the JPA have not been regularly performed. With no retained funds, receipts or disbursements, there is effectively nothing to audit. However, the Carpinteria Sanitary District, as the only CDFA member with outstanding revenue bonds, will further evaluate the applicability of Government Code Section 6505 in this instance by December 2015.

CONTACT INFORMATION

For additional information or questions regarding this response please contact:

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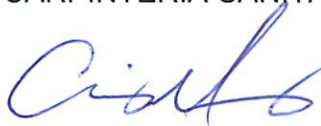
or

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On behalf of the Coastal Districts Financing Authority, the Carpinteria Sanitary District appreciates the opportunity to respond to the subject report. Please don't hesitate to contact us if additional information is required.

Sincerely,
CARPINTERIA SANITARY DISTRICT



Craig Murray, P.E.
General Manager

cc: Mr. Andrew Brunhart, South Coast Water District