City of Anaheim
OFFICE OF THE CITY MANAGER

September 15, 2015

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


Honorable Judge Sanders:

As the City Manager of the City of Anaheim (City), I am pleased to respond on behalf of the City to the 2014 - 2015 Orange County Grand Jury Report, “Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation.” The responses contained in this letter have been approved by the Anaheim City Council. The City’s responses address the Orange County Grand Jury Report’s findings and recommendations relevant to our City in accordance with the California Penal Code Sections 933 and 933.05.

Findings

F.1. There is a lack of transparency to homeowners relative to how CFD funds are being used.

Response: The City disagrees with this finding. All prospective purchasers of real property subject to special taxes are required to receive a notice of special taxes that describe the maximum special tax, last year of required special tax, a description of facilities paid for by special taxes and bond proceeds and a description of special services provided by special taxes, if any. These notices also provide direction to obtain additional information if needed. Further, property tax bills include a phone number to make inquiries related to the special taxes being levied.

F.2. There does not seem to be appropriate oversight and auditing of CFDs and special tax expenditures within the County of Orange.

Response: The City disagrees with this finding. The City’s CFDs are included in the City’s audited Comprehensive Annual Financial Report (CAFR). Further, the City has an audit committee to review the CAFR and the Budget, Investment, and Technology Commission (BIT), which is a citizen commission that is appointed by and acts as an advisory body to the City Council in matters pertaining to the short and long range financial planning and funding of City activities, the investment of City funds invested by the City Treasurer and the use of...
information technology that will assist in the accomplishment of the City's goals and objectives.

F.3. While the assumption is that the CFD debt would be repaid in a finite period of time, there is a mechanism available to controlling entities to extend debt obligations and thereby extend the CFD special tax in perpetuity.

Response: The City disagrees with this finding. The Rate and Method of Apportionment documents for the Anaheim CFDs (06-2, 08-1, 1989-1, 1989-2 and 1989-3), approved by the City Council, contains language limiting the term of the Special Tax to 40 years. Anaheim intends to terminate each CFD once bond debt is retired and all other district obligations are met. There have been no CFD debt extensions. For CFDs 1989-1, 1989-2 and 1989-3, the debt was fully repaid in September, 2014. Further, a vote of the property owners is necessary in order to issue additional debt and there is no intention to do so.

Recommendations

R.1. Each local agency that established the CFD should create an oversight committee and an audit committee to provide for an independent, transparent view of the manner in which CFD funds are being expended. (F.1, F.2)

Response: The City has implemented this recommendation.

R.2. Audit report information, as delineated in California Government Code, 1982 § 53343.1, should be made available to the CFD taxpayers on a website after each fiscal year for each CFD number. (F.1, F.2)

Response: The City has implemented this recommendation.

The City of Anaheim would like to express its appreciation for the efforts of the Orange County Grand Jury. The City of Anaheim is committed to public disclosure and transparency in its governmental affairs. Should you have any questions or need additional information, please contact Debbie Moreno, Finance Director, at (714) 765-4651 or dmoreno@anaheim.net

Respectfully submitted,

Paul Emery
City Manager

C: Orange County Grand Jury
City Clerk, City of Anaheim