September 23, 2015

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

Re: Response to Findings and Recommendations to the Joint Powers Authorities: Issues of Viability, Control, Transparency and Solvency

The Saddleback Valley Unified School District responses to the Orange County Grand Jury report are as follows:

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 Saddleback Valley Unified School District wholly disagrees with this finding. The Public Financing Authority (PFA) was created to obtain economies of scale by refinancing the Community Facilities Districts (CFD) debt. PFA 95 refinanced the debt for CFD 88-2, 89-1, and 89-4. PFA 96 refinanced the debt for CFD 88-1, 89-2 and 89-3. PFA 98 refinanced the debt for CFD 88-1, 89-2, 89-3 and 89-4.

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 district wholly disagrees with this finding. The special tax revenue bonds were issued to finance the acquisition of the CFD’s. Bond proceeds from the CFD’s were used to refund and defease prior obligations and finance school facilities improvements. The bonds were refunded because the District determined that the result would be a lower overall cost to the District.

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 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 recommendation has been implemented.

Respectfully,

[Signature]

Geri Partida, Assistant Superintendent, Business Services

C: Orange County Grand Jury