



City of Mission Viejo

Administrative Services Department

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Mayor

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Council Member

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Council Member

Frank Ury
Council Member

August 31, 2015

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

Re: Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation

Dear Judge Glenda Sanders:

The letter is in response to the Orange County Grand Jury Report, "*Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation*". The City of Mission Viejo ("City") has provided responses below at the request of the Orange County Grand Jury and in the format prescribed in the Report.

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

The City disagrees with the finding as it pertains to itself. There are no homeowners that are affected or responsible for the obligations of the Mission Viejo Community Facilities District 92-1 ("CFD 92-1").

Finding 2 – There does not seem to be appropriate oversight and auditing of CFD's and special tax expenditures within the County of Orange.

The City of Mission Viejo is not familiar with the policies and procedures of the various County of Orange departments as it pertains to oversight and auditing of CFD special tax expenditures and has no opinion on this finding as it pertains to the County of Orange.

Finding 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.



The City agrees with the finding. Even though this mechanism is available to the City, the City has not, nor does it intend to extend the obligation maturity date for the CFD 92-1 debt obligation beyond the original maturity date, which is August 1, 2017.

Recommendation 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.

The recommendation will not be implemented. The governing body of the City of Mission Viejo has elected to retain oversight responsibility of CFD 92-1 and believes that it has adequately and effectively discharged their oversight duties responsibly and with transparency. On an annual basis, the balances and transactions of CFD 92-1 are included in the annual audit of the City's financial statements and financial information is included in the annual Comprehensive Annual Financial Report (CAFR) of the City in accordance with Generally Accepted Accounting Principles and Government Accounting Standards Board Statements. The annual CAFR is presented to the public and the City Council during regular City Council meetings and the City's CAFRs are available to the public on the City's website. In addition, the City prepares an Annual Levy Report on CFD 92-1, which is also presented to the public and the City Council during a regular City Council meeting. The Annual Levy Report includes information on annual payments, administrative expenses, balance of funds, identification of affected commercial property owners, applicable bond information, debt service schedule, among other relevant and pertinent information.

Recommendation 2 – Audit report information, as delineated in California Government Code, 1982 Section 53343.1, should be made available to the CFD taxpayers on a website after each fiscal year for each CFD number.

The recommendation has already been implemented. The link to the last five CAFR documents and the most recent Annual Levy Report is located on the City's website at <http://cityofmissionviejo.org/DepartmentPage.aspx?id=102>.

Respectfully,



Cheryl Dyas
Director of Administrative Services

cc: Orange County Grand Jury
Mission Viejo City Council