September 12, 2018

Civil Grand Jury - Foreperson
725 Court Street
P.O. Box 431
Martinez, CA 94553-0091

Dear Foreperson:

On behalf of the Antioch City Council, this letter responds to Contra Costa County Grand Jury Report: "Joint Powers Authorities" (Report No. 1808). The City Council authorized this response at its meeting on July 24, 2018.

We appreciate the time and effort that the Grand Jury spent considering these matters. The Report emphasizes the transparency and financial accountability of JPA's.

Pursuant to California Penal Code section 933.05, the City will respond to each finding and to each recommendation individually.

Findings

F1. In the Direct JPA model, each member delegates to the JPA a function that each member has the legal authority to provide. This shared approach results in cost savings and better efficiency on behalf of taxpayers.

The City agrees with the finding.

F2. The Circular JPAs with a single controlling entity, such as a City Council, have the potential to avoid legal debt limits and provide limited disclosures to taxpayer.

The City disagrees with the finding. Revenue bonds issued by a JPA still have to be approved by the governing board at a public meeting that is noticed. When issuing bonds, the City of Antioch utilizes independent bond counsel and financial advisor to ensure the proposed issuance is financially feasible and done in compliance with any government codes.

F3. In Contra Costa County, there are 12 Circular JPAs created by cities with RDAs that no longer exist. These JPAs may no longer be valid because each is a member of another Financial JPA which may take on new debt without prohibition (Gov. Codes Sections 6505 3416/34170 et. Seq,) place on Successor Agencies.

Based on the list provided by the Grand Jury, there are only 11 Circular JPA's as the Grand Jury inaccurately reported that the Antioch Public Facilities Financing is between the City of Antioch

and its RDA. The name of this JPA is in fact "Antioch Area Public Facilities Financing Agency" and is between the City of Antioch and the Antioch Unified School District.

The City disagrees with the finding as the Circular JPAs may still issue non-redevelopment debt and also may have the ability to refinance existing redevelopment debt if done in compliance with government code guidelines and approved by the State Department of Finance.

F4. Cities that have created the 12 Financial JPAs do not provide JPA-specific financial information in their budget document. As a result, the public may have difficulty evaluating JPA's financial performance.

The City disagrees with the finding. The City of Antioch includes a section in its budget document entitled "Antioch Public Financing Authority" for the budget information of the JPA. Information on debt repayment is also included in the budget document. As far as the Antioch Area Public Facilities Financing Agency, this is not a component unit of the City or School District and therefore financial information cannot be included in the City's budget document. That JPA establishes its own budget and records are maintained by both the City and School District.

Recommendations

R1. All cities with JPAs in the County should confirm their compliance with Gov. Codes Sections 6505 by submitting the required audit report to the County Auditor by December 31, 2018.

The City will implement this recommendation.

R4. The 11 cities that are members of a JPA associated with an RDA or their Successor Agencies should consider confirming their compliance with the provisions of Abx1.26 (Gov. Codes Sections 34177 et seq.) and report their findings and any corrective actions to the Auditor-Controller's office by December 31, 2018.

Should the Auditor-Controller's office create a template report for agencies to provide this reporting so that it is consistent and meaningful across the reporting agencies, the City would consider implementing this recommendation.

R5. All cities with JPAs should consider making special efforts, such as special mailings to taxpayers, website postings and announcements in local media, to communicate JPA debt decisions and audit reports to the public beyond simple notifications by December 31, 2018.

This recommendation will not be implemented at this time as the Antioch Public Financing Authority between the City and former RDA has no plans to issue debt in the immediate future and all audit reports are presented at a public City Council meeting.

The Antioch Public Facilities Financing is actually called the "Antioch Area Public Facilities Financing Agency" and is between

the City and Antioch Unified School District, not the Successor Agency. However, this JPA will no longer be issuing debt, all debt has been repaid and is the process of winding down. This JPA did make announcements in the local media when the debt was repaid to notify taxpayers and therefore the City/School District has implemented these methods in the past but has no need moving forward as it will be dissolved in the next couple of years.

Sincerely,

Ron Bernal
City Manager

Cc: Mayor and City Council
Derek Cole, Interim City Attorney
Dawn Merchant, Finance Director