



July 24, 2007

**CITY COUNCIL**

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Mayor

Michael T. Bennett  
Mayor Pro Tempore

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Councilmember

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Councilmember

Jonny Wallis  
Councilmember

**CITY MANAGER**

Daniel Singer

Honorable Rodney Melville  
Superior Court  
312-M E. Cook Street  
Santa Maria, CA 93455

**RE: RESPONSE TO GRAND JURY REPORT ENTITLED  
CERTIFICATES OF PARTICIPATION IN PUBLIC  
FINANCES**

**GENERAL COMMENTS**

The City of Goleta has not yet utilized COPs as a funding source. The City has no direct experience in regards to the COP issuance process and its benefits or shortcomings as a funding source. The only outstanding COP debt that the City maintains was inherited upon incorporation from the County of Santa Barbara. Consequently staff is unable to render a response on some of the findings and recommendations of the Grand Jury on this matter.

**FINDINGS**

- 1. Projects funded by COPs are not subject to a well-regulated, mandatory public notice process, and this deficiency can preclude the general public from either registering opposition or participating as investors.**

*Response:* As indicated in the General Comments, the City has not yet utilized COPs and is therefore unable to conclude whether the issuance process is deficient in involving the general public.

- 2. Taxpayer and/or investors may be at risk if standard assurances (e.g. environmental and "escrow") are not consistently required prior to issuance of COPs.**

*Response:* The City agrees with this finding.

- 3. The maturity terms of COPs are often comparable to those (20-30 years) for General Obligation and Revenue Bonds, suggesting that COPs may be an inappropriate substitute for such bonds.**

Response: Again, City has no direct experience in regards to the COP issuance process and its benefits or shortcomings as a funding source. Staff is unable to render a response.

- 4. The regulations regarding the sales of COPs and the use of the proceeds from those sales are inadequate.**

Response: The City has no direct experience in regards to the COP issuance process and its benefits or shortcomings as a funding source. Staff is unable to render a response.

- 5. Districts and government agencies are not required to give notification of the use of COPs to County or city governments which might be affected.**

Response: The City agrees with this finding.

### RECOMMENDATIONS

- 1. A consistent, mandatory public notice and approval process should be implemented and sale of COPs should not proceed until completion of that process.**

Response: This recommendation has not been implemented as the City has not yet utilized COPs as a funding source, nor does the City have any plans to do so at this time.

- 2. All projects funded by COPs should receive the necessary assurances that are demanded of projects funded by General Obligation and Revenue Bonds.**

Response: The City agrees with this recommendation.

- 3. The use of COPs should be restricted to short-term projects. Long-term projects should be funded with General Obligation or Revenue Bonds.**

Response: This recommendation has not been implemented as the City has not yet utilized COPs as a funding source, nor does the City have any plans to do so at this time.

4. **COPs should be sold only as needed to fund the specific project for which they were approved, and the funds should not be used for other projects. In particular, COPs should not be sold for the sole purpose of earning interest on the funds.**

Response: This recommendation requires further analysis in the event the City should decide to utilize COPs as a funding source in the future.

5. **Any district or government agency within the County that is planning to issue any COPs should give notification to the County government and any affected municipal government.**

Response: The City agrees with this recommendation.

Please contact me at your convenience if there is any additional information that the City of Goleta is able to provide regarding this matter.

Sincerely,



Daniel Singer  
City Manager

C: Santa Barbara Civil Grand Jury  
Attn: Foreperson  
1100 Anacapa Street  
Santa Barbara, CA 93101

City Council

Finance Director