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22 July 2014

Mayor and City Council
City of Anaheim
200 S. Anaheim Blvd., 2nd Floor
Anaheim, CA 92805

Re: Item 27 on July 22, 2014 Agenda

Dear Mayor and City Council:

On behalf of The Inland Oversight Committee, I am writing to urge you not to approve the items before you tonight. Your approval of these items would be illegal.

The Anaheim Housing and Public Improvements Authority ("Authority") does not have the legal authority to issue the bonds contemplated by this agenda. The City may not incur this level or length of indebtedness without obtaining the voters' consent and the action is outside the scope of the Housing Authority's authority. The Housing Authority only has the powers necessary or convenient to carry out the purposes of the Housing Authorities law. The Authority has to have at least two members and, since the Housing Authority lacked power to enter into the Joint Powers Agreement, the Authority has no more legal authority to issue bonds than the City or the Housing Authority. Furthermore, not all provisions of the Joint Exercise of Powers Act have been complied with.¹ Without a valid agreement, the Authority lacks the capacity to act.

The Authority is, in reality, the City of Anaheim. The same people govern the City, the Housing Authority and the Authority. The agenda is a single document for all three entities. The legal counsel is the same. There are several other examples. In fact, if the entities are not one in the same, city officials are acting in a way that conflicts with the charter and are potentially violating their fiduciary duties and ethical obligations.

The proposed financing structure is an obvious attempt to get around the debt limitations in City Charter Section 1209 and 1210, which require a vote of the electorate before the City incurs any general- or revenue-bond indebtedness. Indeed, Sections 4 and 5 of the Site and Facility Lease, among other provisions, confirm that the transaction is being structured for the purpose of giving the Authority an interest in City property that the Authority then uses as collateral for the bonds, the proceeds of which the City will direct. The Purchase Agreement for the bonds would have no effect without the City executing it. The other transaction documents confirm the scam being pulled on the public without a vote of the City's electorate: namely, this is a debt being incurred by the City in substance, even if not (entirely) in form. Unless this transaction is put to the voters, it is illegal.

¹ See, e.g., GOV'T CODE §§ 6503; 6503.5; 6503.6; 6503.7; 6504; 6505; 6501.1; 6505.5; 6505.6; 6506; 6508; 6509; 6509.7; 6511; & 6512.



The proposed financing structure also violates Section 18(a) of Article XVI of the California Constitution, which essentially prohibits the City from incurring any debt that cannot be serviced by the current year's income and revenue. The \$300 million the City seeks cannot be paid back in any fiscal year, much less the one in which the money is received. Without a vote of the electorate, the structure is illegal.

It appears that you have not subjected the "2014 Project," as described in the agenda materials and defined in the Indenture, to environmental review under the California Environmental Quality Act. The definition of the project in the documents before you is specific enough to allow for meaningful review in connection with this attempt to generate the financing for the 2014 Project. The action before you commits the City/Authority to a specific project which may result in a potentially significant impact on the environment. The fact that a funding mechanism or other government fiscal activities is involved is not enough to exempt the project from environmental review because of the commitment to a specific project. To the extent you are relying on previous environmental documents, you do not account for new information, changed circumstances, and project revisions. For example, the State Water Board just approved a emergency regulation last week on July 15, 2014 to ensure water agencies, their customers and state residents increase water conservation in urban settings or face possible fines or other enforcement.² This new information should be taken into consideration. Accordingly, to approve the project before subjecting it to environmental review would violate the California Environmental Quality Act and render your actions invalid.

There appear to be problems with the documents in terms of conflicts with prior approvals. You are making commitments that no longer appear possible in light of actions that you took earlier this year. For example, the terms of the lease agreements appear to conflict with the lease agreements already entered into. The description of the leased premises in the Preliminary Official Statement and other documents is identical. Leasing property that is already leased to another entity would be a material misrepresentation to investors. It is more than the purposes and structure that are substantially the same as the purposes and structure currently challenged in litigation. We understand that you are trying to avoid the implications of the pending lawsuit filed by my client and CATER, but in doing so you appear to have made several mistakes and may have made the defects even worse.

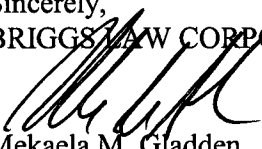
Finally, my client cannot help but note the irony in your actions today. In putting forth a resolution in support of Proposition 13, you say: "WHEREAS, proposition 13 has become a nationwide symbol for taxpayer revolt and for citizens exercising control and power over their governance." Despite praising these qualities of Proposition 13, you are here today engaging in extraordinary acrobatics in an attempt to avoid allowing for citizens to exercise control and power over their governance and tax dollars.

² http://www.waterboards.ca.gov/press_room/press_releases/2014/pr071514.pdf



For these reasons as well as others that may be raised with respect to these items, I urge you not to approve the items before you today.

Sincerely,
BRIGGS LAW CORPORATION


Mekaela M. Gladden

