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GENERAL MANAGER  
and  
CHIEF ENGINEER

May 15, 2007

Santa Barbara County Civil Grand Jury  
Attention: Foreman  
1100 Anacapa Street  
Santa Barbara, CA 93101

RESPONSE TO AUDIT AND FINANCE COMMITTEE REPORT OF 2006-2007 SANTA  
BARBARA CIVIL GRAND JURY  
*CERTIFICATES OF PARTICIPATION IN PUBLIC FINANCES*

The Goleta Water District has received the above report. Per your instructions, we are responding in the manner provided by California Penal Code 933.05(b).

Enclosed are the responses to the Findings and Recommendations that are in the Report.

Sincerely,

C. Charles Evans  
President  
Board of Directors

CCE/bh

Enclosures-2

cc: The Honorable Judge Rodney Melville

## GOLETA WATER DISTRICT RESPONSE

### AUDIT AND FINANCE COMMITTEE REPORT OF 2006-2007 SANTA BARBARA CIVIL GRAND JURY *CERTIFICATES OF PARTICIPATION IN PUBLIC FINANCES*

#### Finding 1

We disagree that the comment applies to Goleta Water District. For the 2003 COP's, the Goleta Water District publically advertised and formed a Citizens Advisory Committee to make recommendations regarding the financing of future capital projects. There was a publically advertised solicitation for membership. All who applied were accepted. The Committee met on 7 occasions for about 2 to 3 hours at each meeting. In addition, as noted in the Appendix to the Grand Jury Report, there was a Notice in the Santa Barbara News Press, as well as discussion and ultimate decision at publically noticed meetings of the Board of Directors. The District Preliminary Official Statement and the Official Statement that were prepared were also part of a mandated process that also included review by Special District Finance Counsel and detailed review by the Board.

#### Finding 2

We disagree that this comment applies to Goleta Water District. The Preliminary Official Statement and the Official Statement provided all standard assurances, and so avoided rate payer and investor risk (the District does not have "taxpayers").

#### Finding 3

We disagree that the comment applies to Goleta Water District. General Obligation Bonds exempt government agencies from payment for those bonds. For Goleta Water District this would include the University of California, The City of Santa Barbara Airport, the City of Goleta parks, Goleta Union School District, Santa Barbara High School District, the County of Santa Barbara Calle Real campus, the State of California, and others. Our opinion is that these entities very definitely benefited from the facilities financed by the COP's, are in general some of our largest customers (the University is the largest), and should not be excluded from the obligation to pay for these facilities. Further, with regard to the 1993 COP's, the project constructed with those proceeds was in response to a court order. Frankly, the District did not have much choice.

#### Finding 4

We disagree with the comment as it applies to the District, and refer to the above comments concerning the District compliance with applicable regulation.

#### Finding 5

We disagree. We believe that District and government agencies are required to give notification of the use of COP's to the County or city or other governments which might be affected. For our last two COP issues, the Goleta Sanitary District was affected, was given notice, and in fact cooperated in the issuing of the COP's.

#### Recommendation 1

This recommendation has been implemented to the extent that there exists a consistent, mandatory public notice and approval process as directed by the State Legislature.

#### Recommendation 2

This recommendation has been implemented. For example, the Preliminary Official Statement and the Official Statement are the same as would be required for General Obligation Bonds.

#### Recommendation 3

This recommendation will not be implemented because it is not reasonable. General Obligation Bonds exclude government agencies. The recommendation would mean that the Goleta Water District would construct large capital projects that benefit all customers, and then exclude many of those same customers from paying for those projects because they are government agencies. It is not reasonable to exclude a large percentage of the water consumed from the payment for needed water supply and water quality projects. General Obligation Bonds require a 2/3rds vote. It is not reasonable to allow 33.3% of the voters to jeopardize the health and safety of a community by thwarting the construction of vitally needed projects for water reliability and water quality; or those projects necessary to satisfy a court judgment.

#### Recommendation 4

This recommendation has been implemented. The Preliminary Official Statement and the Official Statement indicate the projects that are authorized to be constructed. IRS rules preclude the use of COP's to earn interest on funds through there arbitrage regulations.

#### Recommendation 5

This recommendation has been implemented considering the fact that the Goleta Water District is not currently planning to issue any COP's.