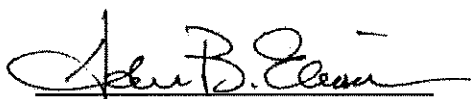


REQUEST FOR ORANGE COUNTY HOUSING FINANCE TRUST (TRUST) BOARD ACTION

MEETING DATE: January 15, 2020

SUBJECT: Approval of Proposed Trust Administrative Expense Allocation Formula Policy and Procedures.



Adam B. Eliason, Manager

RECOMMENDED ACTION:

1. APPROVE THE PROPOSED TRUST ADMINISTRATIVE EXPENSE ALLOCATION FORMULA POLICY AND PROCEDURES.

BACKGROUND:

At the October Trust Board Meeting it was requested that the January Board Meeting include a discussion and recommendation on how the administrative expenses for the Trust would be allocated to Trust Members for the 2020-2021 Fiscal Year Budget.

The Funding Strategy Ad Hoc Committee reviewed a proposed allocation at their December 3, 2019 meeting. This allocation formula is the same as prepared by the Association of California Cities – Orange County (ACC-OC) when they led the effort to recruit cities to join the Trust. While not binding, ACC-OC provided this example allocation formula to cities who were considering a membership with the Trust.

The ACC-OC allocation formula followed the Board composition ratio with the County always paying 4/9th of the Trust administrative budget and the cities always paying 5/9th of the Trust administrative budget. Member cities were then divided by population size with large cities (>95,000) paying twice as much as medium cities (60,000 – 95,000) and medium cities paying twice as much as small cities (<60,000). Any outside grant/donation funding that allows payment for administrative expenses would lower the total amount required by all Trust

members. ACC-OC also calculated scenarios with 15-28 cities and at different administrative expense levels with the highest at \$350,000 a year.

The ACC-OC expense number does not provide any level of detail. Attachment B provides the formula allocation and amounts per member based upon current membership and Trust administrative expenses of \$454,900 for the Fiscal Year 2020-21. Even at the ACC-OC lesser amount of \$350,000, the ACC-OC member contributions were in the range of \$2,000-\$6,000 for small cities, \$4,000-\$12,000 for medium cities and \$8,000-\$24,000 for large cities. Based upon twenty-one (21) Trust Members and the \$454,900 amount, the formula allocation has each city size category paying less than the maximum ACC-OC estimated amounts.

The Trust will be applying for a State Grant in 2020 and has a very strong chance of not only receiving a sizable project funding grant but up to \$50,000 per year for 5 years in administrative expenses which will lower the net Trust administrative expense total each year. However, grant awards will be in September 2020 and start benefiting the Trust next fiscal year.

Staff and the Funding Strategy Ad Hoc Committee recommends approval of this agenda item.

ATTACHMENT:

Attachment A - Administrative Expense Allocation Formula Policy and Procedures

Attachment B – FY 2020-2021 Administrative Funding Sources

DRAFT

ORANGE COUNTY HOUSING FINANCE TRUST (Trust)

Administrative Expense Allocation Formula Policy and Procedures

DRAFT January 15, 2020

1. The County shall pay 4/9th and Member Cities shall pay 5/9th of the annual Trust administrative expenses, less any grant or donated funds approved for administrative expenses, or other Trust reserve funds approved by the Board.
2. Member Cities shall pay their 5/9th allocation based upon the following formula allocation:
 - a. Small Cities shall be cities with a population size less than 60,000.
 - b. Medium Cities shall be cities with a population size between 60,000 and 95,000 and shall pay twice as much as Small Cities.
 - c. Large Cities shall be cities with a population size greater than 95,000 and shall pay twice as much as Medium Cities
3. Annual Member contribution amounts shall be reviewed and approved by the Board at the May Board Meeting.
4. Annual Member contributions will be invoiced to Trust Members no later than June 1st and due July 1st of each year.
5. Member contributions to the Trust administrative costs shall be in the form of money, unless the Board approves another form of contribution such as services, personal property or use of real or personal property, or other in-kind contributions. The acceptance and valuation of any such non-monetary contributions shall be determined by the Board in advance of such services. (JPA Section 7(c)(1))
6. In the case of a voluntary withdrawal of any Member from the Trust, written notice shall be given to the Trust six months prior to the effective date of withdrawal (JPA Section 10(b)(1)).
7. Unless otherwise provided by a unanimous vote of the Board of Directors, withdrawal from the Trust shall result in the forfeiture of that Members rights and claims relating to distribution of property and funds upon termination (JPA Section 10(b)(2)).
8. Non-Member cities that join the Trust after the annual May Board Meeting will pay a pro-rated amount based upon the most recent allocation formula approved by the Board and based upon their size category. The pro-rated amount will be calculated

based upon their Council date approving membership with the Trust and through June 30th.

9. Initial date of Trust membership requires the payment of the pro-rated Member contribution.

FY 2020-2021 Administrative Funding Sources

TOTAL FUNDING NEEDED		\$454,900
OUTSIDE FUNDING SOURCES		
2020 LHTF 5% Admin		
TOTAL OUTSIDE FUNDING SOURCES		\$0
TOTAL MEMBER FUNDING NEEDED		\$454,900
LESS COUNTY MEMBER CONTRIBUTION		\$202,175
TOTAL CITY MEMBERS CONTRIBUTION		\$252,725
Aliso Viejo	\$5,265	
Anaheim	\$21,060	
Buena Park	\$10,530	
Costa Mesa	\$21,060	
Dana Point	\$5,265	
Fountain Valley	\$5,265	
Fullerton	\$21,060	
Garden Grove	\$21,060	
La Habra	\$10,530	
Laguna Beach	\$5,265	
Laguna Hills	\$5,265	
Laguna Niguel	\$10,530	
Mission Viejo	\$21,060	
Newport Beach	\$10,530	
Orange	\$21,060	
Placentia	\$5,265	
San Juan Capistrano	\$5,265	
Santa Ana	\$21,060	
Stanton	\$5,265	
Tustin	\$10,530	
Westminster	\$10,530	
TOTAL MEMBER FUNDING		\$252,725

Total City Members Funding Needed					\$ 252,725
CITY SIZE	POPULATION	QUANTITY	EACH TOTAL		TOTAL
SMALL	<60,000	8	\$5,265.10		\$ 42,121
MEDIUM	60,000-95,000	6	\$10,530.21		\$ 63,181
LARGE	>95,000	7	\$21,060.42		\$ 147,423
		21	Total		\$ 252,725

POPULATION	SMALL	MEDIUM	LARGE
51,950	1		
357,084			1
83,995		1	
115,296			1
34,071	1		
56,920	1		
144,214			1
176,896			1
62,850		1	
23,309	1		
31,818	1		
65,377		1	
95,987			1
87,182		1	
141,952			1
52,755	1		
36,759	1		
338,247			1
39,470	1		
82,344		1	
94,476		1	
	8	6	7