

Memorandum

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Date: November 12, 2003

Subject: Revised 2004 Administrative Budget Proposal

On October 15, I provided the Policy Board with a Proposed Administrative Budget for 2004 that included a 19.1% reduction (\$341,385) from our 2003 Budget. I also pointed out to the Board that the proposal might change because of the contract administration discussions that we had initiated in August. The City Attorney has prepared an Interoffice Memorandum on NRP Policy Board Powers that significantly affects our ability to meet the cost of business targets in the Budget Proposal that I had previously submitted. As a result of the uncertainty about the distribution of duties and responsibilities between NRP and the City, I am submitting this Revised 2004 Administrative Budget Proposal for action by the Policy Board and City Council.

The changes in this proposal, from the original submitted in October, are in the Professional Services line item. In the original proposal, I was recommending that the reservation for CPED be reduced to \$10,000 and that a new item be added for the City Attorney (\$65,000). These changes anticipated reducing the level of CPED support for NRP to phone and parking costs and initiating support for the City Attorney as the source of legal services for NRP contracts administered by CPED. The issue of who will provide attorney support for CPED contracts, however, is still unresolved.

The impact of the City Attorney opinion on NRP, CPED and City staff is still being determined. As a result, I am recommending that the Professional Services item for CPED be raised to up to \$95,000 and that this amount be used for expenses that include, but are not limited to, phone services, parking, detailed program monitoring, and financial and other reporting services. I am also adding a line item for City Support and am allocating up to \$155,000 for these services. I expect the services covered to include, but not be limited to, coordinating contract administration (including the drafting of contracts, processing of payment requests, preparation of contract amendments and completion of outcome reports) and legal review of contracts for form and substance. The net affect of these changes is to restore the line item for city support to a total of \$250,000 or the same level as was provided in 2003 for MCDA.

For the past two years NRP has been faced with the revenue uncertainties created by the legislature in June of 2001. In March, 2003, Council Member and Policy Board Alternate Barret Lane drafted revisions to City Ordinance Chapter 419 that would address the issue of NRP's revenue sources and provide a base from which future planning could proceed. The proposed ordinance recognized NRP as the third obligation, after debt service and existing contracts and Common Project administration, having a claim on Common Project revenues.

After considerable Policy Board and public discussion, and amendments adopted by the Council, the revised ordinance was passed on August 22. The projected level of revenues for NRP under the adopted ordinance would be approximately \$58 million from 2003-2009. The dollars are front and back end loaded with about \$17 million projected for 2003 and 2004 and \$20 million projected for 2009. With the \$20 million received in 2001 and the \$11 million received in 2002, the total revenues for the second Phase of NRP will be about \$89 million.

The adopted ordinance includes an annual cap on total Phase II administrative expenses (central office and neighborhood) of 20% of expenditures. NRP central office expenditures have accounted for 8.1% of the program totals since NRP began in 1991. As shown in Attachment C, the annual percentage peaked at 11.2% in 2002.

A big part of NRP's Administrative Budget since 1995 has been expenditures for Professional Services. The largest percentage of these expenditures (almost 20% of NRP's total administrative budget since 1995) has been for MCDA services. Another major category of Professional Services expenditures has been for services that directly support neighborhoods (i.e. audits, D & O insurance, and training and education).

Despite the uncertainties and questions about funding, neighborhoods continued to implement and review their Phase I plans, develop Phase II participation agreements and present plans (both Phase I and Phase II) for neighborhood and Policy Board approval. **By the end of 2003, 66 out of 67, or 98.5%, of the neighborhoods will have completed and be implementing an approved Phase I neighborhood action plan.** Attachment D shows the number of Phase I plans that have been approved each year and the cumulative total. The only neighborhood that has not yet developed a Phase I plan is Cedar Riverside.

On November 20, 2000 the Policy Board approved a blanket appropriation of \$1 million to assist neighborhoods eligible for Phase II with their Phase I reviews and development of their Phase II plans. This fund was increased by \$665,711 in October 2001. As of September 22, 2003, 16 neighborhoods have requested and received appropriations from this fund. A total of \$788,580 has been allocated from the appropriation of \$1,665,711 to help neighborhoods with their Phase II plan development expenses. All distributions from this fund are charged against the Phase II allocation of the receiving neighborhood. In addition, 6 neighborhoods have used some of their Phase I funds to support development of their Phase II plan.

We have now begun, in earnest, Phase II. **Four neighborhoods (Powderhorn Park, Whittier, Armatage and Logan Park) have already developed and approved their Phase II neighborhood action plans. Fourteen other neighborhoods that qualify for Phase II are in the process of developing their Phase II neighborhood action plans.**

The achievements in 2003 were the result of committed residents, inter neighborhood cooperation, jurisdictional partnerships, private sector support, and NRP staff assistance. The achievements ranged from projects where NRP was one of many investors to projects where NRP was the only source of support.

2003 Accomplishments

NRP is about producing real change. In 2003 NRP was significantly involved in a wide variety of diverse activities including the following:

- **New Holland Town homes** – NRP invested \$156,000 in the development of eight new energy-efficient town homes at 24th and Jackson St. NE. The NRP investment helped to purchase and rehabilitate an existing home situated on the site as well as leverage the donation of vacant land valued at \$90,000 by US Bank. One of the homes, located at 822 24th Ave. NE was showcased on the NRP-coordinated 2003 Minneapolis & Saint Paul Home Tour.
- **Humboldt Greenway Housing** – \$250,000 of NRP funds were invested in the \$80 million Humboldt Greenway housing project. Approximately 200 new single-family homes and a 75-unit senior apartment building will be or have been added to an eight-block stretch of Humboldt Ave. from Victory Memorial Drive to 53rd Ave N. Two of these homes (5255 Humboldt Ave. N. and 4836/4838 Humboldt Ave. N.) were showcased on the NRP-coordinated 2003 Minneapolis & Saint Paul Home Tour.
- **Pierre Bottineau Library** – NRP invested \$110,000 to help construct the new Pierre Bottineau Library in the historic Grain Belt Brewery campus in Northeast Minneapolis. The brewery's 1893 wagon shed and 1913 millwright shop were renovated and merged with a new structure to create the striking 12,355-square-foot library. The architecturally green building, designed for environmental excellence, replaces a storefront library on nearby Second Street that had served the community since 1957. The new library features books and other media for people of all ages, up-to-date technology and a neighborhood history collection. The library opened on May 31, 2003.
- **Jeremiah Program facility expansion** – \$1 million from the NRP Affordable Housing Reserve Fund was invested in a \$4.8 million expansion project that created 21 additional units of affordable housing for families headed by single mothers. The original Jeremiah Program facility was built in 1997 and contained 18 residential housing units.
- **Grant Park housing development** – Elliot Park Neighborhood, Inc. invested \$300,000 of their NRP funds in a 27-story, 330-unit housing project that is scheduled for completion by mid-2004. Condos in the unit will range from \$140,000 to \$445,000 in price. NRP funds were used to help make some of the units more affordable.

- **Midtown Market** – The Longfellow, Bancroft, Standish-Ericsson, East Phillips, Powderhorn Park and Seward neighborhoods partnered with the Corcoran Neighborhood Organization to develop and invest NRP money in the Midtown Public Market near the corner of Lake Street and 22nd Avenue South. The new outdoor market offers shoppers a vast array of vegetables, meats and other locally grown and made products. More than 30 vendors have their products and wares available at the market. The Midtown Market opened July 12 and will run until October 24.

- **Lyndale Farmstead Park Playground** - \$20,400 of NRP funds were invested in a playground renovation project at Lyndale Farmstead Park in the East Harriet Farmstead neighborhood. NRP funds were used for a new fountain and fencing around the playground.

- **Urban Gardens Townhomes** - The Powderhorn Park Neighborhood Association (PPNA) and the Minneapolis Urban League developed a new six-unit affordable housing project at E. 35th St. and Bloomington Ave. S. The new housing was constructed on a former Super America site and contains two 3-bedroom units and four 4-bedroom units. All six of the units represent replacement housing under the Hollman consent decree. PPNA invested \$82,000 of NRP funds in the \$1 million project.

- **Loring Greenway Tot Lot** - \$59,500 of NRP funds were invested to purchase new playground equipment as part of a larger initiative to improve the Loring Greenway. The greenway is a two-decade-old pedestrian gateway joining Nicollet Avenue to Loring Park. It runs from 12th Street and Nicollet to a spot near the Berger Fountain. Last summer the greenway received a major facelift that included upgraded lighting and sprinklers. A dedication event for the new playground was held on July 21, 2003.

- **Fulton Rainwater Management Project** - The Fulton Neighborhood Association invested \$23,000 of NRP funds in an education, outreach and grant project to promote effective rainwater management practices in the Fulton neighborhood. The project encourages neighbors to consider sound rainwater management practices as a means for reducing pollution of area streams and lakes as well as addresses problems with basement and street flooding. Eight rain gardens and other rainwater management systems were implemented as part of Fulton's first round of projects. Many of these projects will be featured in a rain garden tour in 2003.

- **2003 Minneapolis & Saint Paul Home Tour** - In 2003, the NRP served as the coordinating agency for the Minneapolis & Saint Paul Home Tour. Now in its 16th year, the Home Tour is a popular celebration of city living that brings thousands of home enthusiasts together for a weekend of sharing home remodeling ideas and rental and ownership opportunities. From new construction to creative renovations, the Home Tour showcases hip downtown condos and lofts, cozy bungalows, vintage Queen Anne's and more. Visitors go on the tour to get remodeling ideas, learn about neighborhoods and schools and to gain a deeper appreciation of the quality of city homes. The 39 homes NRP recruited for the tour had more than 5,100 visitors making more than 27,200 visits.

These few examples show a small part of the impact that NRP's significant investment in neighborhoods is having on the City of Minneapolis and its tax base. Interest in NRP in general continues to be high. In 2000 NRP established a web site (NRP.org) at which residents could get information on the program, important news and connect to other resources. During that year, an average of 1,401 visits occurred each month. In 2002, the monthly average increased to 4,029. Through June, the monthly average for 2003 has been 5,318 for an increase of 32% from last year's monthly average.

Training of residents and staff has been a priority of NRP's since 1993. Between the first class held in January 1993 and the "Contracting and Implementing the Plan" class held on December 11, 1997, NRP conducted more than 120 training sessions that were attended by almost 2,500 people. As neighborhoods became fully engaged in developing and implementing their Phase I plans, attendance at training sessions dropped significantly and the need for an extensive education program declined.

Neighborhoods, however, began asking for more help in 1999 and we added neighborhood specific assistance to the resurrected training program. Between October 1, 2002 and September 30, 2003 NRP conducted 7 citywide workshops, 9 workshops for individual neighborhood boards and one major conference. More than 250 individuals attended these educational opportunities.

NRP initiated the Community Leadership Institute (CLI) in 2000 to help interested city residents learn more about the management of neighborhood organizations and to help them be better contributors to their neighborhoods and city. CLI provides two 12 week sessions of comprehensive training for people who work in or volunteer with community organizations. By offering neighborhood volunteers and community organization staff members the skills and information they need to become more effective leaders, the Institute addresses the challenges these leaders face in their work to build healthy, vibrant communities.

The Institute is offered collaboratively by NRP, the Center for Nonprofit Management—University of St. Thomas, and the Metropolitan Alliance of Community Centers (MACC). The Institute has received generous support from the General Mills Foundation. The mission of the Institute is to help its participants:

- Build their personal capacity to lead
- Develop skills to help their organizations
- Increase their cross-cultural effectiveness

Graduates earn a Certificate of Completion in Community Leadership and 3.6 CEUs for each level completed. To date, 79 neighborhood residents have participated in CLI. Of these participants, 52% are minorities.

In March NRP, with its Community Leadership partners MACC and the University of St. Thomas, was selected as one of seven organizations to participate in the Leadership Plenty program of the Pew Foundation. This national effort focuses on preparing individuals for potential leadership roles in grass roots organizations. The first class consists of 12 residents and began on September 28. It will be conducted in 6 hour training blocks each Saturday for 10 weeks.

Contract development, plan modifications and contract amendments continue and illustrate the scrutiny and careful review that neighborhoods give their plans as they proceed with implementation. Since 1992, NRP has initiated 1,232 contracts implementing specific strategies or governing plan development. Over this same time period there have been more than 1,275 contract amendments. Contracts and amendments approved in each year are shown in Attachment F. The changes that result from these modifications help keep plans current and responsive to the continuously changing environments in the neighborhoods. Activities associated with plan modifications have become an increasingly significant part of NRP's workload.

The responsibility for administration of these contracts and amendments has shifted over the years, with the full knowledge of staff from the City Attorneys Office who have been preparing and signing off on these contracts and amendments. Until 1999, other departments managed most of the contracts and amendments. Since 1999, NRP has taken on a larger proportion of the contract and amendment workload. The October 22 opinion of the City Attorney will affect these activities. At the present time, 1.86 FTE's of NRP staff time (with a 2004 budget value of \$118,388 from the Salary and Benefits line items) are being used to support NRP's contract administration and implementation activity. The activities involved include processing plan modifications, drafting scopes of service, processing reimbursement requests, monitoring the progress of contracts, entering contract data into PlanNet NRP and administering the school and Hennepin County second 7.5% contracts. Some of these duties and responsibilities will continue to be performed by NRP staff. Others will be transferred to the City. Where this work will be performed is the topic of an NRP, CPED and City Attorney staff work team. This uncertainty affects the 2004 Budget proposal.

NRP's cash flow position remains strong and the audited end of year fund balance for NRP on December 31, 2002 was \$62,065,600. This was a decline, however, of \$3 million from the same figure at the end of 2001. This is an indicator that expenditures are continuing to exceed revenues. The fund balance will continue to decline in the future because of the reduced level of revenue for the program.

As of June 30, 2003 NRP had received \$256,887,182 in revenues since the program began in 1990 and expended \$208,484,677. The revenue figures include the Phase II transfers of \$20 million to NRP in 2001 and \$11 million in 2002. In FY 2002 NRP expended almost \$14 million to help neighborhoods improve.

NRP funds are continuing to be spent on neighborhood priorities. In 2002, almost 90% of the NRP funds expended were on the development of neighborhood action plans or implementation of the strategies in approved plans. This is a stark contrast to 1992 when only 48% of NRP's expenditures were on neighborhood activities.

NRP is the major funding source for neighborhood organizations. **For the 28 organizations that have received complete financial audits (i.e. neighborhoods that received more than \$50,000 from NRP), NRP funds accounted for an average of 62% of all revenues for the neighborhood.** Most small neighborhoods did not receive full audits in 2002-their revenues, however, are even more heavily dependent upon NRP.

Staff efforts in 2004 will be concentrated on defining the activities that should be performed by NRP staff, transferring appropriate materials and functions to the City, preparing neighborhoods for Phase II, developing Phase II plans, and creating an implementation monitoring and oversight system.

2004 Budget Request

This year's budget is \$1,612,098 or 10% less than the \$1,791,013 in NRP's 2003 budget and 8% less than the actual expenditures in 2002. The major reason is the continued reductions in the professional services agreements. Personnel expenditures are being budgeted at 5.8% less than the 2003 budget and include a 2% Cost Of Living Adjustment consistent with the planned increase for city staff. The proposed budget would be 9% of projected program expenditures (i.e. \$17.9 million) in 2004. A historic comparison of NRP central office administrative expenses to the total annual expenditures for the program is provided in Attachment C.

Attachment A shows actual expenditures for 1999, 2000, 2001, and 2002, the budget and expenditures as of July 3, 2003 for 2003, and the proposed budget for 2004. It also shows the change between the 2004 Proposed Budget and the Approved 2003 Budget in dollars and percentage. The 2003 budget continues the effort that we initiated in 1996 to gradually and deliberately reduce the administrative expenditures of the NRP office.

The staff complement request is for an authorized FTE of 12. This is the same as our complement in 2003. NRP management has worked for the past nine years to reduce the staff complement without layoffs or terminations. The result of this planned downsizing has been a reduction in our staff complement from 24 in 1995 to the proposed 12 (a reduction of 50%). NRP staff costs, as a percentage of our budget, have steadily declined from 73.8% in 1994 to only 47% in 2004.

The Professional Services line item detailed in Attachment B and categorized in Attachment E accounts for 38% of the 2004 Budget Proposal. A number of the Professional Services are for costs that would otherwise be paid by neighborhoods. The payments to the Office of the State Auditor and Mike Wilson and Associates reflect audit costs for neighborhoods. The payments to CURA and Eve Bornstein are for training and legal support to neighborhoods. Fifteen thousand of the \$20,000 for education (Code 6050 in Attachment A) is for support of the Community Leadership Institute and Code 6080 (Insurance) includes the estimated premium for

Directors and Officers Insurance for neighborhoods. By purchasing these services through NRP's central office we pay better prices and secure services that would otherwise not be available to neighborhoods. Support to the City will continue for MTN, the Finance Office, and the Park Board. The support provided to CPED will cover the direct costs for phones, one parking space, detailed program monitoring, and financial and other reporting services. The new professional services agreement with the City would include, but not be limited to, coordinating contract administration (including the drafting of contracts, processing of payment requests, preparation of contract amendments and completion of outcome reports) and legal review of contracts for form and substance.

NRP staff are working with CPED and City Attorney staff to develop a joint recommendation on how contract administration services should be provided and by whom. Necessary functions must be performed more effectively and efficiently.

Recommendation

Based on my assessment of the needs of the NRP and the neighborhoods, I plan to recommend passage of the following resolution at the Board's November 17 meeting:

RESOLVED: That the Minneapolis Neighborhood Revitalization Policy Board approves and adopts the Neighborhood Revitalization Program Administrative Budget for Fiscal Year 2004, in the amount of \$ 1,612,098 as detailed in "Attachment A" which is incorporated herein by reference; authorizes the Director to spend up to that amount on administrative expenses generally in accordance with Attachment A, with total expenditures in the "Compensation" (4000-4900 and 7800-7860 account codes) and "Non-Compensation" categories to be limited to the amounts indicated in that budget, but with discretion to adjust amounts among the specific "Non-Compensation" line items as needed and between "Compensation" and the "Non-Compensation" category for "Professional Services" without further approval from this Board; and appropriates \$ 1,612,098 of NRP Program Moneys for administrative expenditures in 2004;

RESOLVED FURTHER, That the Director is hereby authorized and directed to request that the City Council, City of Minneapolis, appropriate \$1,612,098 to Fund 2300 for the purposes herein authorized, and to request that MCDA/CPED immediately transfer \$1,612,098 to the NRP's City of Minneapolis Fund 2300; and

RESOLVED FURTHER, That the Director is hereby authorized to negotiate and sign any Professional Services Agreements needed to secure the services in Attachment B.

[illegible]

FY 2004
NRP Administrative Budget
Contracts for Professional Services

	FY 2004 (Proposed)	FY 2003	\$ Change	% Change
Professional Services	Amount	Amount		
CPED (Formerly MCDA) ¹	\$ 95,000	\$ 250,000	\$ (155,000)	-62%
City of Minneapolis ²	\$ 155,000	\$ -	\$ 155,000	new
Office of Minnesota State Auditors	\$ 190,000	\$ 225,000	\$ (35,000)	-16%
Minneapolis Park Board	\$ 25,000	\$ 45,300	\$ (20,300)	-45%
The Gavzy Group (PlanNet NRP)	\$ 20,000	\$ 35,950	\$ (15,950)	-44%
Kennedy and Graven	\$ 25,000	\$ 34,167	\$ (9,167)	-27%
Mike Wilson & Associates (Auditors)	\$ 30,000	\$ 31,075	\$ (1,075)	-3%
MTN (Video Communications)	\$ 20,000	\$ 38,950	\$ (18,950)	-49%
I-Systems (PlanNet NRP and network support)	\$ 15,000	\$ 19,875	\$ (4,875)	-25%
County Computer Support Services	\$ 12,000	\$ 15,000	\$ (3,000)	-20%
Other Consultants	\$ 10,000	\$ 15,000	\$ (5,000)	-33%
CURA Training Program for Organizers	\$ 5,000	\$ 8,664	\$ (3,664)	-42%
Web Site Design/Support	\$ 3,000	\$ 3,000	\$ -	0%
Eve Borenstein (Attorney)	\$ 1,500	\$ 3,763	\$ (2,263)	-60%
Minneapolis League of Women Voters	\$ 4,000	\$ 4,000	\$ -	0%
Total	\$ 610,500	\$ 729,744	\$ (119,244)	-16%

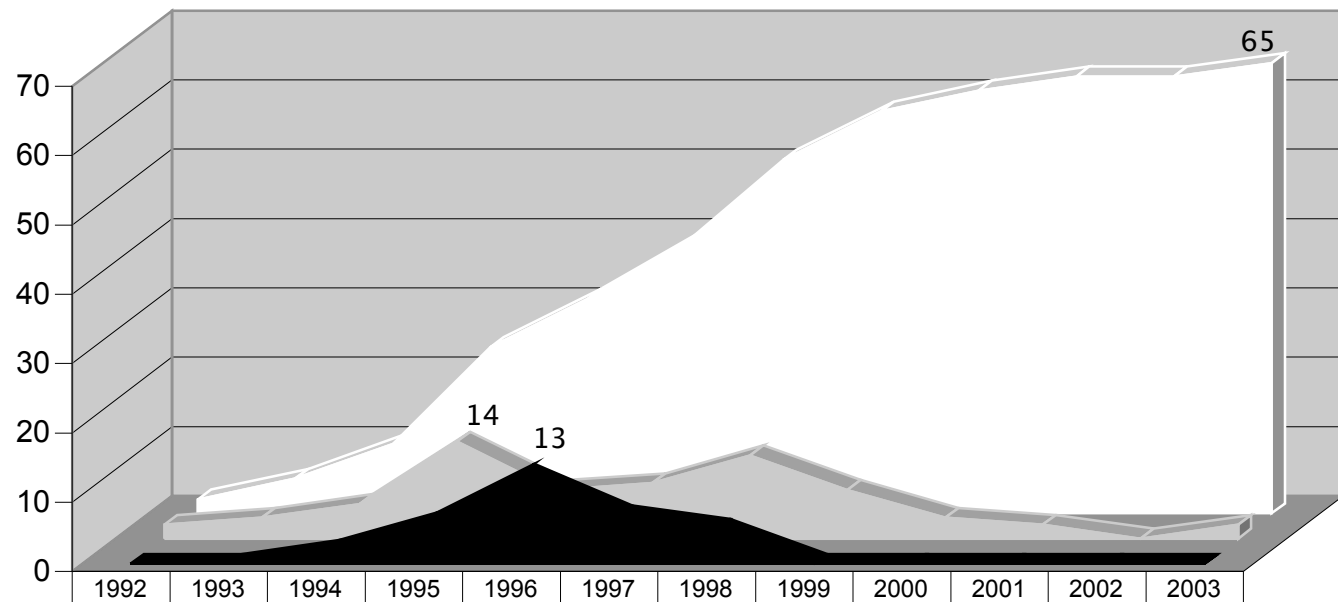
¹ The functions in this line item were previously performed under the Memorandum of Understanding and are part of the \$250,000 paid to MCDA in FY2003.

² Some of the functions in this line item were performed under the MOU with MCDA in FY2003. Some of the functions are new for the City.

NRP Expenditures vs. NRP Admin Expenditures

Year	Total Expenditure	NRP Admin Expense	NRP %
1990	\$ 1,327,903	\$ -	0.0%
1991	\$ 7,723,543	\$ -	0.0%
1992	\$ 6,014,406	\$ 335,819	5.6%
1993	\$ 7,030,472	\$ 381,403	5.4%
1994	\$ 13,417,143	\$ 872,029	6.5%
1995	\$ 16,111,637	\$ 1,439,091	8.9%
1996	\$ 25,968,859	\$ 1,665,370	6.4%
1997	\$ 23,771,689	\$ 1,774,879	7.5%
1998	\$ 20,627,497	\$ 1,954,481	9.5%
1999	\$ 21,197,945	\$ 2,165,517	10.2%
2000	\$ 22,113,214	\$ 1,835,405	8.3%
2001	\$ 19,399,319	\$ 2,012,840	10.4%
2002	<u>\$ 15,680,455</u>	<u>\$ 1,750,482</u>	<u>11.2%</u>
Totals	\$ 200,384,082	\$ 16,187,316	8.1%

NRP Phase I Plan Approvals By Year



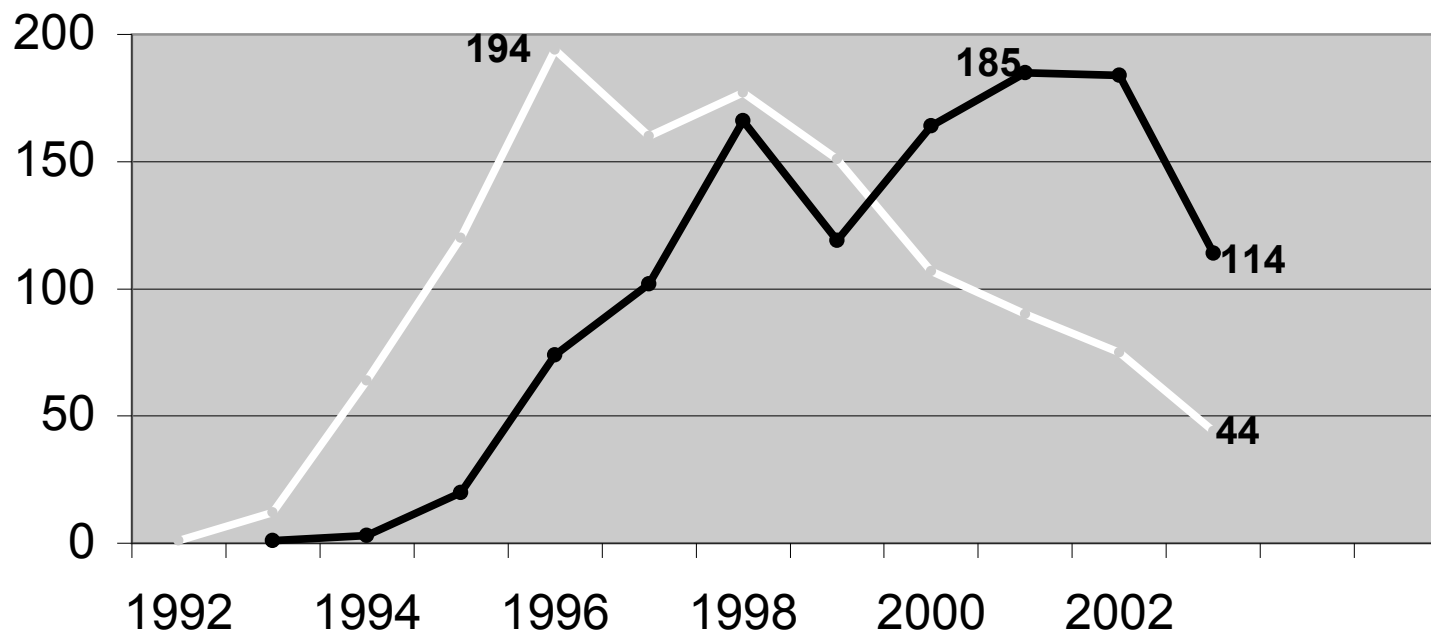
■ First Step Plan (per year)			2	6	13	7	5					
■ Neighborhood Action Plan (per year)	2	3	5	14	7	8	12	7	3	2	0	2
■ Neighborhood Action Plan (cumulative)	2	5	10	24	31	39	51	58	61	63	63	65

Attachment E

**FY 2004
(Proposed)
NRP Administrative Budget**

Category	Professional Services	Amount
<i>Communications and Promotion</i>	MTN (Video Communications)	\$20,000
<i>Administrative Support</i>	MCDA/CPED	\$95,000
	City Support	\$155,000
	Minneapolis Park Board	\$25,000
<i>Legal Services</i>	Kennedy and Graven	\$25,000
	Eve Borenstein (Attorney)	\$1,500
<i>Tech Support</i>	The Gavzy Group (PlanNet NRP)	\$20,000
	I-Systems (PlanNet NRP and network)	\$15,000
	County Computer Support Services	\$12,000
	Web Site Design	\$3,000
<i>Other Professional Services</i>		\$10,000
<i>Education and Training</i>	CURA Training Program for Organizers	\$5,000
<i>Audit and Financial Reporting</i>	Office of Minnesota State Auditors	\$190,000
	Mike Wilson & Associates (Auditors)	\$30,000
<i>Election Support</i>	Minneapolis League of Women Voters	\$4,000
Total		\$610,500

NRP Phase I Contracts and Amendments By Year



* Data as of September 30, 2003