

Memorandum

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Date: September 20, 2004

Subject: 2005 Administrative Budget Proposal

The 2004 fiscal year was a challenging one for NRP and the neighborhoods. The city began implementing the City Attorney's Interoffice Memorandum on NRP Policy Board Powers and Community Planning and Economic Development (CPED) became a fully operating City department with many staff, structure and policy changes. The Citizen Participation office and the NRP related functions that it had performed for the old MCDA were relocated to Development Finance Division (DFD) of the Finance Department.

NRP, CPED and DFD had to define the processes and responsibilities that each would perform for NRP in the new environment. As a result, negotiation of the 2004 Memorandum of Understanding (MOU) took six months and resulted in a document much larger than any of the previous eight MOU's.

In March 2004 the city provided a new projection of the revenues that would be available under the Ordinance passed by the Mayor and Council on August 22, 2003. At the time the Ordinance was being proposed the projection was that about \$89 million would be available for NRP and Phase II. Settlements with Brookfield during the winter and a new look at performance of the Tax Increment districts included in the Common Project resulted in an updated projection of \$85 million. In the end, the March 2004 projection by the City shows Phase II revenues of less than half of the figure originally projected for Phase II in 2000.

Also during March, CPED updated the NRP Implementation Fee Policy adopted by MCDA in 1995. The new Policy placed responsibility for paying CPED contract administration costs for NRP related activities on neighborhoods and their programs, projects, services and activities.

In April the Policy Board adopted Phase II allocations for each neighborhood based on the revised revenue forecast of the City. The allocations were approved only after the

Board spent several months reviewing the allocation formulas, discussing the potential variables, looking at options and obtaining neighborhood comment.

NRP continues to be the major funding source for neighborhood organizations and their neighborhood improvement activities. For the sixteen organizations that received complete financial audits (i.e. neighborhoods that received more than \$50,000 from NRP) during 2003, NRP funds accounted for 55% of all the revenues received by the neighborhoods. If the four neighborhoods that received 73% of the non-governmental revenues are excluded, NRP provided 75% of the revenues for the neighborhoods. Most small neighborhoods do not receive full audits-their revenues, however, are even more heavily dependent upon NRP.

While the organizational changes were occurring, administrative processes and responsibilities were being defined, working relationships were clarified, revenue projections were revised and the allocations to neighborhoods were being discussed and approved, neighborhoods continued to implement and review their Phase I plans, develop Phase II participation agreements and research neighborhood needs and priorities.

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 had requested and received appropriations from this fund. As of September 12, 2004 that figure has increased to 23. A total of \$1,070,931 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. Seven neighborhoods have used Phase I funds to support development of their Phase II plan.

Last year at this time, eighteen neighborhoods qualified for Phase II and had either developed or were in the process of developing their Phase II neighborhood action plans. Today, **32 neighborhoods are eligible for Phase II** and 15 others are on the brink of becoming eligible. Only 4 neighborhoods have contracted less than 50% of their Phase I Neighborhood Action Plan.

The 32 neighborhoods that qualify for Phase II represent 49% of the Phase I allocations and 46% of the Phase II distribution to neighborhoods.

The result of all these changes is that interest in NRP is increasing. 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 2001, 16,815 visits were made to the web site (an average of 1,401 visits each month). In 2002, the number of visits increased by 187% (to 48,349 and a monthly average of 4,029). In 2003 these figures increased by another 30% (to 62,977 and 5,248 respectively). Through July of this year, the monthly average has been 6,568 for an increase of 25% over last year's

monthly average. We have, in the first 8 months of the year, already exceeded the number of visits that occurred in all of 2002.

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. Last year NRP conducted 14 citywide workshops attended by 127 residents, 11 workshops for individual neighborhood boards (with 100 participants) and one major conference. Almost 400 individuals attended these educational opportunities.

In addition we trained neighborhood leaders, especially minority group members, at the Community Leadership Institute and at our newest offering, Leadership Plenty. To date, 166 individuals have participated in CLI. Of these participants, 54% are minorities.

NRP initiated the Community Leadership Institute (CLI) in 2000 to help interested city residents learn about leadership 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) and has received financial 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

In March 2003 NRP, with its Community Leadership Institute 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 consisted of 12 residents. Each resident participated in 7 training modules over a 10-week period. Each module was 6 hours in length.

Our training and education efforts have continued and expanded in 2004 with 9 workshops already conducted and 5 neighborhood specific sessions provided. Five more workshops have been scheduled, two new sessions of the Community Leadership Institute will be starting this fall, and NRP staff are exploring a possible partnership with the Northwest Area Foundation to do a Leadership Plenty program for residents of North Minneapolis. 111 residents participated in the 9 workshops conducted so far this year and 59 neighborhood board members have attended the board specific sessions.

Another reason for the level of increased interest was the highly visible accomplishments by neighborhoods in 2004. These accomplishments 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.

2004 Accomplishments

NRP is about producing real change. In 2004 NRP was significantly involved in a wide variety of diverse activities including the following:

- **East Phillips Commons** - \$515,000 from the NRP Affordable Housing Reserve Fund was invested in a new development consisting of 32 units of mixed-income, mixed-use housing in the East Phillips neighborhood. Residents begin moving into East Phillips Commons on July 1.
- **Volunteers of America Senior Housing** – Construction began on a 51-unit mixed-income, mixed-use senior housing development in the Holland neighborhood. The NRP invested \$624,000 of its Affordable Housing Reserve Funds in the project.
- **Heritage Park Phase III** - \$189,000 was approved for construction of 95 units of rental housing (47 of the units will be affordable to households at or below 50 percent of the Metro Median Income) in Heritage Park.
- **Cecil E. Newman Plaza** - \$188,000 was approved to renovate 64 units of scattered-site Section 8 housing built in the 1960's in the Near North neighborhood.
- **Kingfield Public Housing Duplex** - \$10,000 was approved for construction of an accessible public housing duplex in the Kingfield neighborhood.
- **Hiawatha Commons** - \$500,000 was approved for construction of an 80-unit mixed-use/mixed-income, transit-oriented housing development in the Longfellow neighborhood.

- **Habitat Homes at Heritage Park** - \$539,500 was approved for construction of 26 units of affordable owner-occupied housing in the new Heritage Park development.
- **Little Earth Property Improvement** - \$285,000 was approved for construction of a three-story, 16-unit senior housing development and rehabilitation of 52 units of Section 8 housing in the Little Earth housing complex in the East Phillips neighborhood.
- **St. Anne's Senior Housing** - \$350,000 was approved for construction of 66 units of senior rental housing in the Jordan neighborhood.
- **Lutheran Social Services Housing Opportunities Project** - \$100,000 was approved to rehabilitate 12-units of supportive housing in the West Phillips neighborhood. All residents in these units will be receiving Section 8 assistance.
- **Agape Child Development Center** - \$100,000 was approved for construction of 12-units of affordable housing that is part of the mixed-use, transit oriented AGAPE Child Development Center, which provides 24-hour childcare to up to 190 students. Located in the Jordan neighborhood.
- **New Village Limited Partnership Project** - \$100,000 was approved to rehabilitate and renovate 21 units of affordable rental housing in the West Phillips neighborhood.
- **2004 Minneapolis & Saint Paul Home Tour** - In 2004, the NRP served as the coordinating agency for the Minneapolis & Saint Paul Home Tour. Now in its 17th 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. The NRP recruited 50 homes for the tour that had more than 10,000 visitors making more than 47,000 visits.
- **Summer Saturdays Program at Nokomis Library** - The Nokomis East Neighborhood Association (NENA) invested \$21,000 of its NRP funds to expand the hours at Nokomis Library. The NENA investment will specifically fund a "Summer Saturdays" program that adds another day of service for library patrons.
- **Community Oriented Policing Services (COPS) Reserve Fund** – Nearly \$1 million of NRP's Phase II revenues were invested in a fund dedicated to "community oriented public safety activities." Proposals in every police precinct were funded and the \$999,942 approved by the Policy Board will provide 25,088 hours of police service to the neighborhoods of the city.

- **Metro Emissions Reduction Proposal (MERP)** - Twenty-two neighborhood groups in Minneapolis and St. Paul helped secure a historic agreement that will dramatically reduce harmful emissions from three Xcel Energy-owned, Twin Cities-based power plants. Under the newly reached accord, Xcel Energy will convert the fuel source for two of its oldest power plants from coal to natural gas by 2009. A third plant will continue to run on coal but will have modern anti-pollution devices installed. The agreement is unique in that it marks the first time in the nation that a public utilities corporation has voluntarily agreed to change the way it produces energy.
- **Mississippi River Gorge Restoration Project** - NRP funds paid for a master plan and ecological inventory of the Mississippi River Gorge. The plan has helped the Longfellow Community Council (LCC) direct its financial and volunteer resources to several vital River Gorge projects.
- **Eastside Food Co-op** – The Co-op’s nearly 800 members helped purchase and renovate the building that is now home to the new natural food grocery store by investing nearly \$500,000 in equity and loans. The Holland, Audubon Park, Windom Park, Sheridan and Waite Park neighborhood associations invested an additional \$535,000 of NRP loans and grants in the store.

These few examples show a small part of the impact that NRP’s significant investment in neighborhoods is having on the City of Minneapolis, its housing stock, and its tax base.

Financial Condition

NRP’s cash flow position is strong but declining. For the second year in a row the audited end of year fund balance for NRP on December 31 declined. The 2003 ending balance of \$58,945,129 was a decline of \$3,115,000 from the same figure at the end of 2002. The fund balance has dropped by \$6.5 million since January 1, 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. The 2003 year end balance was the lowest in 10 years. This is the first time since January 1, 1994 that the fund balance has fallen below \$60 million.

As of December 31, 2003 NRP had received \$275,231,412 in revenues since the program began in 1990 and expended \$216,286,283. The revenue figures include the Phase II transfers of \$20 million to NRP in 2001, \$11 million in 2002, and \$10,749,790 in 2003. Almost 14% of the revenues received last year were from interest earned on the reserve. In FY 2003 NRP expended almost \$16 million to help neighborhoods improve.

NRP funds are continuing to be spent on neighborhood priorities. In 2003, almost 90% of the NRP funds expended were on the development of neighborhood action plans or implementation of the strategies in approved plans.

2005 Budget Request

The 2005 Budget proposal continues our efforts to responsibly reduce our central office budget to maximize the dollars going to neighborhoods. **This year's budget request is \$1,505,912 or 6.6% less than the \$1,612,098 in NRP's 2004 budget request and 10.6% less than actual expenditures in 2003.** The major reason is the continued reductions in the professional services agreements. Personnel expenditures include a 2% Cost Of Living Adjustment consistent with the adopted guidance of the City Council. The proposed budget would be 9% of projected program expenditures (i.e. \$17.9 million) in 2005. 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, 2002, 2003, the 2004 budget and current expenditures, and the proposed budget for 2005. It also shows the change between the 2005 Proposed Budget and the amended 2004 Budget in dollars and percentage. The 2005 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 11. This is one less than our complement in 2004. NRP management has worked diligently 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 11 (a reduction of 54.5%). The last person hired by NRP was hired on August 16, 1999.

Staff efforts in 2005 will be concentrated on preparing neighborhoods for Phase II, developing Phase II plans, and creating an implementation monitoring and oversight system.

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/CPED services. Another major category of Professional Services expenditures has been services that directly support neighborhoods (i.e. audits, D & O insurance, and training and education).

The CPED Policy on Fees for NRP Implementation Activities shifts responsibility for paying CPED NRP related costs to neighborhoods and their projects from NRP's central administrative budget. As a result, I am recommending that the Professional Services item for CPED be limited to the expenses related to phone services and parking. The line item for city support will 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 Professional Services line item detailed in Attachment B accounts for 31% of the 2005 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 neighborhood training and legal support. Twelve thousand of the \$15,000 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.

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 22 meeting:

RESOLVED: That the Minneapolis Neighborhood Revitalization Policy Board approves and adopts the Neighborhood Revitalization Program Administrative Budget for Fiscal Year 2005, in the amount of \$ 1,505,912 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 \$ 1,505,912 of NRP Program Moneys for administrative expenditures in 2005;

RESOLVED FURTHER, That the Director is hereby authorized and directed to request that the City Council, City of Minneapolis, appropriate \$1,505,912 to Fund CNR0-890-3550 for the purposes herein authorized, and to request that CPED immediately transfer \$1,505,912 to the NRP's City of Minneapolis Fund 230; and

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

[illegible]

FY 2005
NRP Administrative Budget
Contracts for Professional Services

	FY 2005 (Proposed)	FY 2004	\$ Change	% Change
Professional Services	Amount	Amount		
CPED (Formerly MCDA)	\$ 10,000	\$ 95,000	\$ (85,000)	-89.47%
City of Minneapolis ¹	\$ 140,000	\$ 155,000	\$ (15,000)	-9.68%
Office of Minnesota State Auditors	\$ 160,000	\$ 190,000	\$ (30,000)	-15.79%
Minneapolis Park Board	\$ 20,000	\$ 52,984	\$ (32,984)	-62.25%
The Gavzy Group (PlanNet NRP)	\$ 15,000	\$ 24,451	\$ (9,451)	-38.65%
Kennedy and Graven	\$ 35,000	\$ 27,512	\$ 7,488	27.22%
Mike Wilson & Associates (Auditors)	\$ 30,000	\$ 40,800	\$ (10,800)	-26.47%
MTN (Video Communications)	\$ 20,000	\$ 33,950	\$ (13,950)	-41.09%
I-Systems (PlanNet NRP and network support)	\$ 15,000	\$ 35,350	\$ (20,350)	-57.57%
County Computer Support Services	\$ 9,000	\$ 12,000	\$ (3,000)	-25.00%
Other Consultants	\$ 7,500	\$ 10,000	\$ (2,500)	-25.00%
CURA Training Program for Organizers	\$ 2,500	\$ 7,262	\$ (4,762)	-65.57%
Web Site Design/Support	\$ 3,000	\$ 3,000	\$ -	0.00%
Eve Borenstein (Attorney)	\$ 1,500	\$ 3,060	\$ (1,560)	-50.98%
Minneapolis League of Women Voters	\$ 4,000	\$ 4,000	\$ -	0.00%
Total	\$ 472,500	\$ 694,369	\$ (221,869)	-31.95%

¹ The functions in this line item are performed under a Memorandum of Understanding between NRP and the City. Under the 2004 MOU, \$250,000 will be paid to CPED (\$95,000) and the city (\$155,000). Project fees will pay CPED expenses and some DFD expenses in 2005.

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	\$ 15,680,455	\$ 1,750,482	11.2%
2003	\$ 15,902,201	\$ 1,636,275	10.3%
Totals	\$ 216,286,283	\$ 17,823,591	8.2%

R:9/13/04