

MEMORANDUM

To: NRP Policy Board and Alternates

From: Robert D. Miller, Director

Date: February 26, 2007

Re: Adjustment to the 2006 Appropriation to cover remaining 2006 Obligations

During the past five years, NRP has steadily reduced its central operating budget (Fund 2300) to address the tighter financial constraints that exist in NRP Phase II. This has included reducing our FTEs without layoffs or terminations and negotiating reductions in most of our professional services contracts. We work hard during the fiscal year to ensure that unexpected increases in expenses are offset with reductions in other line items.

Despite these efforts, the 2006 appropriation for NRP Fund 2300 is currently over expended by \$44,876.44, with an additional \$20,691.29 due to the City of Minneapolis for 4th Quarter project fees associated with the implementation of neighborhood plans.

There are a number of factors that contribute to this problem:

- Fees due the City of Minneapolis under the Administrative Support Reimbursement Agreement totaled \$349,197.31 as of December 31, 2006 -- \$119,197.31 over their 2006 budgeted amount.
- Charges from the Minnesota State Auditor for NRP-related audits totaled \$134,557.56 through December 31, 2006 -- \$9,557.56 over the budgeted amount.
- Registration fees for the Community Leadership Institute (CLI) totaled \$29,250 through December 31, 2006 -- \$11,750 over the budgeted amount.

Each of these expense categories is influenced by factors that occur at the neighborhood level. The City's administrative support fee is tied to the level of expenditure for NRP related contracts. The State Auditor fees are the result of the costs associated with conducting neighborhood audits. And the CLI fees are determined by the number of

neighborhood volunteers who sign up for training through the Institute. We experienced increased neighborhood-related activity in each of these areas, and, as a result, increased expenses.

During the year, we had been able to, we thought, compensate for these overages by reducing other expenses. We had, in December, an unspent balance in our 2006 appropriation. Unfortunately, NRP staff discovered in late November that charges from the City of Minneapolis Human Resources Department for 2006 NRP staff health care costs (approximately \$55,000) and one April 2006 payroll transaction (\$27,039.76) had not been posted to Fund 2300 due to a coding problem within the City's financial system. NRP alerted Human Resources about this problem in early December, and the problem was resolved in late January 2007. Although these charges did not exceed the 2006 budgeted amount for staff and benefit costs, payroll charges are the only transactions in the City of Minneapolis financial system that can automatically exceed a Fund appropriation. Therefore, these late January transactions had the net effect of pushing Fund 2300 over the approved appropriation by \$44,876.44. We also still owe \$20,691.29 to the City for the 4th Quarter administrative support fee.

To address these problems, I am requesting that the Policy Board approve a \$65,600 increase to the Fund 2300 2006 appropriation to cover the existing negative balance of \$44,876.44, and to allow for the payment of \$20,691.29 for the 4th quarter to the City of Minneapolis.

I am requesting that the budget for 2006 be increased but I am not requesting the transfer to Fund 2300 of any additional revenue from Fund CNR0. NRP had, as of 12/31/2005, a Fund Balance of \$289,726 (audit for the Year Ended December 31, 2005) in Fund 2300. The \$65,600 to pay for these 2006 expenses would come from this Fund Balance. This Fund Balance has been accrued from revenues generated from the Minneapolis and St. Paul Home Tour NRP has been coordinating since 2003.

I therefore recommend approval of the following resolution:

RESOLVED: That the Minneapolis Neighborhood Revitalization Program (NRP) Policy Board approves an increase of \$65,600 to the 2006 NRP Administrative Budget (Fund 2300) appropriation to satisfy remaining 2006 budget obligations; and,

RESOLVED FURTHER: That the Board hereby authorizes the Director to: [a] reduce the Balance for Fund 2300 by \$65,600 to cover this budget increase; and [b] transmit this memo and resolution to the City Council and Mayor as a receive and file for their information and records.