

Memorandum

Date: August 22, 2007

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Subject: Addressing the Financing of NRP

In June 2005 the Policy Board established a Task Force on NRP's Future. The Task Force report was provided to the Policy Board and all of the jurisdictional partners in April 2006. At the April 2007 Policy Board meeting the Board directed staff to: a) make financial projections on 1) funding Phase II allocations at 50% holdback 2) stopping any further funding of Phase II plans and 3) to also project how these measures would affect each neighborhood and b) present other funding options that could be used to cover the projected capitalization shortfall.

The April 2007 revenue projections provided by the City's Development Finance Division were significantly less than the projections provided in October 2005. The reduced level of expected revenues will not allow NRP to fully fund the 70% level for neighborhood action plans. To provide at least some funds to every neighborhood NRP will have to reduce its allocations to neighborhoods by a minimum of 50% from the level originally approved in April 2004.

The allocations for all neighborhoods, at 50% of their initial allocation, are attached (Attachment 1). The projections use the revised revenue estimates from DFD as the base and assume that the 70% limitation on expenditures will stay in effect to ensure that we do not exceed our available revenues. As you can see, the impact on each neighborhood is significant.

Also attached is a table (Attachment 2) showing the status of the contracting for Phase II on approved Neighborhood Action Plans. In six cases the neighborhoods are already above 50% of their allocation (but below their 70% limit). Three of these neighborhoods received approval of their NAP's in 2004 and three received approval in 2006. The plans approved in 2004 could now approach the Board for their remaining 30%. This situation will only grow worse as time passes, neighborhoods implement their plans, and contracts are executed.

If the Board were to immediately stop any further funding of Phase II plans, we still would not have enough projected revenue to fully fund the neighborhoods already approved, **and 36 neighborhoods would get nothing** (Attachment 3). At 50% of their original allocation, every neighborhood could be funded.

The final request by the Board was for other funding options that could be used to cover the projected capitalization shortfall for Phase II.

After carefully considering the recommendations of the Policy Board Task Force, conducting additional research and contacting professional staff and elected officials, it is my conclusion that the first Short Term Action Recommendation of the Task Force is the most reasonable, immediately available, and least disruptive way to meet the Phase II shortfall without impacting the General Fund of the City, creating any new tax burden, going to the legislature, or creating a new source of revenue. The key in this recommendation is to reexamine the actions taken in 2003 and their impacts on the Common Project.

I agree with the Pros and Cons stated in the Task Force report but I want to point out that the passage of the year since that report was issued and the failure to act on the recommendation has now reduced the potentially available revenue by more than \$2 million. These reductions will continue in the future and mean that inaction makes addressing the shortfall more difficult and complex. (I have attached copies of the relevant pages of the report (Attachment 6) for reference).

The second Short Term Recommendation of the Task Force is also worth exploring but should be pursued after the Community Engagement Task Force of the City completes its activities to ensure that any effort that NRP makes in this arena is consistent with the expressed intentions of the City.

Attachment 4 is a paper that I have prepared and provided to City Council members that provides more specifics on how this recommendation addresses the Phase II shortfall while still providing discretionary development dollars for the City. Attachment 5 shows the impact of these decisions, based on certain assumptions that are defined in each table, on the Legacy Fund and discretionary development funding.

The outcome of all these tables, charts, analysis and research is simple: the Phase II shortfall can be addressed within the existing means of the City but action needs to occur now.

**Redrafted NRP Phase II Neighborhood Allocations
(4/12/07)**

NEIGHBORHOOD	ORIGINAL		NEW 4/9/07		DIFFERENCE IN 70%
	PHASE II ALLOCATION	70%	PHASE II PROJECTIONS	70%	
Armatage	375,682	262,977	204,303	143,012	(119,965)
Audubon Park	630,862	441,604	343,075	240,152	(201,451)
Bancroft	265,505	185,854	144,387	101,071	(84,783)
Beltrami	271,232	189,863	147,501	103,251	(86,612)
Bottineau	224,069	156,848	121,853	85,297	(71,551)
Bryant	295,498	206,848	160,697	112,488	(94,360)
Bryn Mawr	270,080	189,056	146,875	102,812	(86,244)
Carag	636,557	445,590	346,172	242,320	(203,270)
Cedar Riverside	704,577	493,204	383,162	268,214	(224,990)
Cedar-Isles-Dean	261,420	182,994	142,165	99,516	(83,478)
Central	812,586	568,810	441,900	309,330	(259,480)
Cleveland	448,446	313,912	243,873	170,711	(143,201)
Columbia Park	175,525	122,868	95,454	66,818	(56,050)
Como	556,043	389,230	302,387	211,671	(177,559)
Corcoran	410,440	287,308	223,205	156,244	(131,065)
Downtown East and West	913,167	639,217	496,598	347,618	(291,599)
East Harriet	218,316	152,821	118,725	83,107	(69,714)
East Isles	387,253	271,077	210,595	147,417	(123,660)
ECCO	334,613	234,229	181,969	127,378	(106,851)
Elliot Park	678,504	474,953	368,983	258,288	(216,664)
Field, Regina, Northrup	1,093,966	765,776	594,920	416,444	(349,333)
Folwell	730,376	511,263	397,193	278,035	(233,229)
Fulton	387,299	271,110	210,621	147,435	(123,675)
Hale, Page, Diamond Lake	835,143	584,600	454,167	317,917	(266,683)
Harrison	846,641	592,649	460,419	322,294	(270,355)
Hawthorne	1,593,541	1,115,478	866,598	606,618	(508,860)
Holland	684,021	478,815	371,984	260,389	(218,426)
Jordan	906,958	634,871	493,221	345,255	(289,616)
Kenny	266,533	186,573	144,946	101,462	(85,111)
Kenwood	99,659	69,762	54,197	37,938	(31,824)
King Field	770,934	539,654	419,249	293,474	(246,180)
Lind-Bohanon	521,140	364,798	283,406	198,384	(166,414)
Linden Hills	530,161	371,113	288,312	201,818	(169,295)
Logan Park	418,010	292,607	227,322	159,125	(133,482)
Longfellow, Howe, Hiawatha, Cooper	2,306,477	1,614,534	1,254,306	878,014	(736,520)
Loring Park	502,173	351,521	273,091	191,164	(160,357)
Lowry Hill	448,754	314,128	244,041	170,829	(143,299)
Lowry Hill East	747,852	523,497	406,696	284,688	(238,809)
Lyndale	643,703	450,592	350,058	245,041	(205,552)
Lynnhurst	285,619	199,933	155,325	108,728	(91,206)
Marcy-Holmes	683,948	478,763	371,944	260,361	(218,403)
Marshall Terrace	363,456	254,419	197,654	138,358	(116,061)
McKinley	580,058	406,041	315,447	220,813	(185,228)
Nokomis East Neighborhoods	1,620,848	1,134,594	881,448	617,014	(517,580)
Near North, Willard Hay	1,845,711	1,291,998	1,003,733	702,613	(589,385)
Nicollet Island/E. Bank	176,119	123,283	95,777	67,044	(56,239)
North Loop	293,007	205,105	159,343	111,540	(93,565)
Northeast Park	252,685	176,879	137,415	96,190	(80,689)
Phillips	1,356,734	949,714	737,818	516,473	(433,241)
Powderhorn Park	687,638	481,347	373,951	261,765	(219,581)
Prospect Park	347,866	243,506	189,176	132,423	(111,083)
Seward	450,139	315,097	244,794	171,356	(143,741)
Sheridan	438,317	306,822	238,365	166,856	(139,966)
Shingle Creek	323,905	226,733	176,146	123,302	(103,431)
St. Anthony East	362,535	253,774	197,153	138,007	(115,767)
St. Anthony West	224,642	157,249	122,165	85,515	(71,734)
Standish, Ericsson	1,087,274	761,092	591,280	413,896	(347,196)
Stevens Square-Loring Heights	376,427	263,499	204,708	143,296	(120,203)
Sumner-Glenwood	25,000	17,500	13,595	9,517	(7,983)
Tangletown	336,708	235,695	183,108	128,176	(107,520)
University	100,000	70,000	54,382	38,067	(31,933)
Ventura Village	688,753	482,127	374,557	262,190	(219,937)
Victory	480,270	336,189	261,180	182,826	(153,363)
Waite Park	447,124	312,987	243,155	170,208	(142,779)
Webber-Camden	652,678	456,875	354,939	248,457	(208,418)
West Calhoun	258,994	181,296	140,846	98,592	(82,704)
Whittier	2,466,446	1,726,512	1,341,300	938,910	(787,602)
Windom	291,018	203,713	158,261	110,783	(92,930)
Windom Park	563,421	394,395	306,399	214,479	(179,915)
American Indian	537,208	376,046	292,144	204,501	(171,545)
TOTALS	41,808,269	29,265,789	22,736,134	15,915,294	(13,350,495)

Approved Phase II Plans

% contracted

approval order	Neighborhood (includes <i>approved</i> plans only)	Allocation	Phase II Plan \$ contracted (as per PlanNet)	%	If >50%, \$ amount in excess of 50%
25	American Indian	\$537,208	\$188,023	35%	
6	Armatage	\$375,682	\$70,737	19%	
35	Audubon Park	\$630,862	\$10,500	2%	
30	Bancroft	\$265,505	\$19,825	7%	
14	Bottineau	\$224,069	\$95,269	43%	
21	Bryn Mawr	\$270,080	\$174,080	64%	\$39,040
31	Columbia Park	\$175,525	\$12,000	7%	
5	Corcoran	\$410,440	\$205,308	50%	\$88
13	East Harriet	\$218,316	\$48,316	22%	
20	Elliot Park	\$678,504	\$464,953	69%	\$125,701
4	Field Regina Northrop	\$1,093,966	\$574,766	53%	\$27,783
37	Folwell	\$730,376	\$51,525	7%	
9	Fulton	\$387,299	\$65,189	17%	
18	Harrison	\$846,641	\$225,858	27%	
10	HPDL	\$835,143	\$393,690	47%	
11	Jordan	\$906,958	\$350,611	39%	
33	Kenny	\$266,533	\$0	0%	
34	Kenwood	\$85,600	\$0	0%	
24	Kingfield	\$770,934	\$15,000	2%	
19	Linden Hills	\$530,161	\$132,406	25%	
3	Logan Park	\$418,010	\$108,279	26%	
27	Longfellow	\$2,306,477	\$610,477	26%	
32	Lowry Hill	\$448,754	\$50,000	11%	
36	Lyndale	\$643,703	\$25,000	4%	
15	Marcy-Holmes	\$683,948	\$250,437	37%	
23	Near North	\$1,845,711	\$49,750	3%	
22	Northeast Park	\$252,685	\$176,880	70%	\$50,538
2	Powderhorn Park	\$687,638	\$462,882	67%	\$119,063
16	Prospect Park	\$347,866	\$149,412	43%	
1	Seward	\$450,139	\$146,000	32%	
26	Sheridan	\$438,317	\$26,000	6%	
12	Shingle Creek	\$323,905	\$53,184	16%	
28	Southeast Como	\$556,043	\$190,387	34%	
17	Standish-Ericcson	\$1,087,274	\$350,423	32%	
7	Stevens Square	\$376,427	\$129,183	34%	
8	Whittier	\$2,466,446	\$429,197	17%	
29	Windom	\$291,018	\$18,695	6%	
	TOTAL	\$18,763,050	\$5,206,355	28%	\$362,212

Notes

- 1 Funds contracted / spent do not include Phase 1 rollover \$, COPSIRF, or Affordable Housing Reserve Funds
- 2 Some Phase 1r funds are not yet contracted but could be "swapped" for already contracted Phase 2 funds.

Phase II Neighborhood Action Plans Approved to Date

#	Neighborhood	Allocation	70% Expenditure Limit	Holdback Amount	Housing Allocation	Housing %
1	Seward	\$ 450,139	\$ 315,097	\$ 135,042	\$ 328,241	72.92%
2	Powderhorn Park	\$ 687,638	\$ 481,347	\$ 206,291	\$ 490,355	71.31%
3	Logan Park	\$ 418,010	\$ 292,607	\$ 125,403	\$ 320,028	76.56%
4	Field Regina Northrup	\$ 1,093,966	\$ 765,776	\$ 328,190	\$ 835,352	76.36%
5	Corcoran	\$ 410,440	\$ 287,308	\$ 123,132	\$ 345,180	84.10%
6	Armatage	\$ 375,682	\$ 262,977	\$ 112,705	\$ 262,977	70.00%
7	Stevens Square	\$ 376,427	\$ 263,499	\$ 112,928	\$ 304,605	80.92%
8	Whittier	\$ 2,466,446	\$ 1,726,512	\$ 739,934	\$ 1,727,252	70.03%
9	Fulton	\$ 387,299	\$ 271,109	\$ 116,190	\$ 314,758	81.27%
10	HPDL	\$ 835,143	\$ 584,600	\$ 250,543	\$ 582,095	69.70%
11	Jordan	\$ 906,958	\$ 634,871	\$ 272,087	\$ 654,642	72.18%
12	Shingle Creek	\$ 323,905	\$ 226,734	\$ 97,172	\$ 233,633	72.13%
13	East Harriet	\$ 218,316	\$ 152,821	\$ 65,495	\$ 173,758	79.59%
14	Bottineau	\$ 224,069	\$ 156,848	\$ 67,221	\$ 160,075	71.44%
15	Marcy-Holmes	\$ 683,948	\$ 478,764	\$ 205,184	\$ 529,581	77.43%
16	Prospect Park	\$ 347,866	\$ 243,506	\$ 104,360	\$ 243,158	69.90%
17	Standish-Ericsson	\$ 1,087,274	\$ 761,092	\$ 326,182	\$ 880,474	80.98%
18	Harrison	\$ 846,641	\$ 592,649	\$ 253,992	\$ 607,211	71.72%
19	Linden Hills	\$ 530,161	\$ 371,113	\$ 159,048	\$ 375,778	70.88%
20	Elliot Park	\$ 678,504	\$ 474,953	\$ 203,551	\$ 505,553	74.51%
21	Bryn Mawr	\$ 270,080	\$ 189,056	\$ 81,024	\$ 207,854	76.96%
22	Northeast Park	\$ 252,685	\$ 176,880	\$ 75,806	\$ 187,568	74.23%
23	Near North	\$ 1,845,711	\$ 1,291,998	\$ 553,713	\$ 1,296,981	70.27%
24	Kingfield	\$ 770,934	\$ 539,654	\$ 231,280	\$ 539,577	69.99%
25	American Indian	\$ 537,208	\$ 376,046	\$ 161,162	\$ 468,607	87.23%
26	Sheridan	\$ 438,317	\$ 306,822	\$ 131,495	\$ 306,822	70.00%
27	Longfellow	\$ 2,306,477	\$ 1,614,534	\$ 691,943	\$ 2,026,009	87.84%
28	Southeast Como	\$ 556,043	\$ 389,230	\$ 166,813	\$ 433,714	78.00%
29	Windom	\$ 291,018	\$ 203,713	\$ 87,305	\$ 206,856	71.08%
30	Bancroft	\$ 265,505	\$ 185,854	\$ 79,652	\$ 200,359	75.46%
31	Columbia Park	\$ 175,525	\$ 122,868	\$ 52,658	\$ 158,351	90.22%
32	Lowry Hill	\$ 448,754	\$ 314,128	\$ 134,626	\$ 324,960	72.41%
33	Kenny	\$ 266,533	\$ 186,573	\$ 79,960	\$ 191,906	72.00%
34	Kenwood Isles	\$ 85,600	\$ 59,920	\$ 25,680	\$ 60,000	70.09%
35	Audubon Park	\$ 630,862	\$ 441,603	\$ 189,259	\$ 484,784	76.84%
36	Lyndale	\$ 643,703	\$ 450,592	\$ 193,111	\$ 520,626	80.88%
37	Folwell	\$ 730,376	\$ 511,263	\$ 219,113	\$ 511,318	70.01%
	Subtotal	\$ 23,864,163	\$ 16,704,914	\$ 7,159,249	\$ 18,000,998	75.43%
38	St. Anthony East	\$ 362,535				
39	St. Anthony West	\$ 224,642				
40	Nokomis East	\$ 1,620,848				
41	North Loop	\$ 293,007				
42	Victory	\$ 480,270				
43	Cedar Isles Dean	\$ 261,420				
44	West Calhoun	\$ 258,994				
45	Holland	\$ 684,021				
46	Waite Park	\$ 447,124				
47	Windom Park	\$ 563,421				
48	Nicollet Island/East Bank	\$ 176,119				
49	Cedar Riverside	\$ 704,577				
50	Bryant	\$ 295,498				
51	Lowry Hill East	\$ 747,852				
52	Downtown	\$ 913,167				
53	University	\$ 100,000				
54	Central	\$ 812,586				
55	Beltrami	\$ 271,232				
56	Webber-Camden	\$ 652,678				
57	Lind Bohanon	\$ 521,140				
58	Mckinley	\$ 580,058				
59	Hawthorne	\$ 1,593,541				
60	Ventura Village	\$ 688,753				
61	Midtown Phillips	\$ *1,356,734				
62	East Phillips	\$ *1,356,734				
63	West Phillips	\$ *1,356,734				
64	Cleveland	\$ 448,446				
65	CARAG	\$ 636,557				
66	ECCO	\$ 334,613				
67	East Harriet	\$ 218,316				
68	Loring Park	\$ 502,173				
69	Lynnhurst	\$ 285,619				
70	Marshall Terrace	\$ 363,456				
71	Tangletown	\$ 336,708				
72	East Isles	\$ 387,253				
73	Sumner Glenwood	\$ 25,000				
	Subtotal	\$ 42,012,521.00	\$ 16,704,914	\$ 14,318,498	\$ 36,001,996	85.69%

Solving the Phase II NRP Funding Gap

Problem: The April 9, 2007 projections for Common Project Revenues and NRP Capitalization prepared by the Development Finance Division of the Finance Department project an NRP capitalization by the end of 2009 that is \$19,072,476 less than the projections made in 2004 that were used by NRP for allocations to neighborhoods.

Concept: Meet, or come as close as possible to meeting, the original expectations for the dollars that would be available to neighborhoods (i.e. recover the shortfall of \$19,072,476) through actions that require no new general fund, property tax or legislative adjustments or any new sources of revenue for NRP.

Option: Remove all obligations of the Common Project other than Debt service, contracts, and NRP.

Action Required: Discontinue the annual installment payment and transfer of Common Project Funds to the Legacy Fund.

Background: City Ordinance 2003-Or-111 set priorities for the use of Tax Increment revenues generated from the Common Project. The Ordinance requires revenues from the City's Common Project to be used first to pay existing Common Project debt, contractual obligations, and Common Project administration costs. Any funds remaining after those obligations are met are to be applied to the annual capitalization of the Neighborhood Revitalization Program (NRP) and then to City discretionary development needs. A subset of those revenues, specifically from the Saks Parcel of Gavidae, however, were exempted from this priority of expenditure under the Discretionary Development Resolution (2003R-404). This Council resolution reserves repayments from the Saks Parcel to pay for discretionary development borrowing from the Hilton (Legacy) Fund (Fund SPH).

The Common Project was used to "repay" expenditures from the Legacy Fund to allow time for the Fund to recover its original capitalization. At the time Resolution 2003R-404 was adopted the market value of the Legacy Fund (as of August 31, 2003) was \$ 31,431,735. The original capitalization of the fund, established in 1999 from proceeds from the sale of the MCDA and City interests in the Hilton Hotel, was \$ 39,920,062. The paper loss (\$ 8,488,327) was a result of the decline in the value of the mutual funds in which the Legacy Fund was invested.

Resolution 2003R-404 allows CPED to borrow up to \$3,679,000 per year from the Legacy Fund for each year from 2004 to 2009 and pays back the loan with tax increment revenues from the Common Project's Saks Parcel. This allowed the City to have discretionary development funds without cashing out the Legacy Fund at a loss. Of the \$ 11,037,000 allocated since passage of Resolution 2003R-404, CPED has expended

\$ 7,357,028. As of April 30, 2007, \$5,213,905 had been transferred from the Common Project to the Legacy Fund.

Resolution 2003R-404 allows the borrowing and repayment to continue through 2009. If the borrowing and repayment under Resolution 2003R-404 continues, CPED will borrow \$ 3,679,000 in 2007, 2008 and 2009 (for a total of another \$11,037,000) and the Common Project will have to pay \$ 16,860,095 (the \$ 5,823,095 remaining to be paid on the 2004-2006 allocation and the \$ 11,037,000 to be paid in 2007-2009) from its future revenues to support Legacy Fund activities. **This obligation accounts for 88% of the projected shortfall in NRP Phase II revenues projected by DFD in April, 2007.**

If this borrowing and repayment were to conclude with the 2006 borrowing and the unexpended balance of the 2004-2006 allocations (\$3,679,972) were to be added to the avoided future repayments (\$ 11,037,000), the result would be that the Common Project would have additional revenues of \$ 14,716,000. This would cover about 75% of the shortfall in the full allocation of resources originally expected for implementation of Phase II Neighborhood Action Plans.

The NRP's Policy Board Task Force on Continued Support of Neighborhoods and NRP identified this funding option as the most reasonable and appropriate for addressing the Phase II shortfall in its April 2006 report. This review provides more details but finds that the conclusions of the Task Force and its analysis were correct and agrees with their recommendation.

Conclusion

- 1) Resolution 2003R-404 was based on a reduced value for the Legacy Fund and was a way to use its resources while allowing time to try and recover its value.
- 2) Discretionary development was established as the third priority for Common Project Funds when the Council adopted Ordinance 2003-Or-111 on August 23, 2003. Resolution 2003R-404 contradicts that priority.
- 3) The value of the Legacy Fund has been restored. The expenditures to date from the Legacy Fund have been \$ 7,357,028 for CPED Projects (to be recovered from the Common Project) and \$ 13,453,430 for pension debt. The market value for the Legacy Fund on December 31, 2006 after these expenditures was \$ 21.8 million. The total value for the Fund at that time, therefore, was \$ 42.6 million, **or \$ 2.7 million more than its original capitalization.**
- 4) Transfers from the Common Project are no longer needed to support the Legacy Fund.
- 5) The Legacy Fund has already been reduced by expenditures that contain no repayment provision. The ability of the Legacy Fund to recover its initial

capitalization has already been compromised by the expenditures that occurred in 2005 and 2006.

The Council and Mayor act annually to set the amount of the installment and authorize the transfer of funds between the Common Project and Legacy Fund. If no authorization occurs, no transfer occurs. Under the existing Resolution 2003R-404, however, the Saks revenues would still be exempted from the priorities of Ordinance 2003-Or-111. The action suggested would be to rescind Resolution 2003R-404, terminate transfers from the Common Project with the 2006 transfer, use the freed up tax increment revenue to address the priorities as specified in Ordinance 2003-Or-111, and use the increased Legacy Fund value to fund future discretionary development activity.

**Phased Withdrawal of Legacy Funds Spreadsheet
(Version 2a)**

Assumptions: Initial capitalization is \$ 22,000,000
Average Rate of Annual Return on Investment: 3% per year
Rate of Withdrawal: \$3.5 million per year
No Return from Any Project Investment

No.	Year	Deposits	<u>Plus:</u> Earnings Based on Annual Rate of Return @ 3.00%	<u>Less:</u> Annual Withdrawal \$3,500,000	Remaining Cash Balance
	2006	\$22,000,000			\$22,000,000
1	2007	0	\$660,000	\$3,500,000	19,160,000
2	2008	0	574,800	3,500,000	16,234,800
3	2009	0	487,044	3,500,000	13,221,844
4	2010	0	396,655	3,500,000	10,118,499
5	2011	0	303,555	3,500,000	6,922,054
6	2012	0	207,662	3,500,000	3,629,716
7	2013	0	108,891	3,500,000	238,607
8	2014	<u>0</u>	<u>7,158</u>	<u>245,765</u>	<u>0</u>
	Totals	\$22,000,000	\$2,745,765	\$28,245,765	

Prepared: 8/22/2007

**Phased Withdrawal of Legacy Funds Spreadsheet
(Version 2b)**

Assumptions: Initial capitalization is \$ 22,000,000
Average Rate of Annual Return on Investment: 5% per year
Rate of Withdrawal: \$3.5 million per year
No Return from Any Project Investment

No.	Year	Deposits	<u>Plus:</u> Earnings Based on Annual Rate of Return @ 5.00%	<u>Less:</u> Annual Withdrawal \$3,500,000	Remaining Cash Balance
	2006	\$22,000,000			\$22,000,000
1	2007	0	\$1,100,000	\$3,500,000	19,600,000
2	2008	0	980,000	3,500,000	17,080,000
3	2009	0	854,000	3,500,000	14,434,000
4	2010	0	721,700	3,500,000	11,655,700
5	2011	0	582,785	3,500,000	8,738,485
6	2012	0	436,924	3,500,000	5,675,409
7	2013	0	283,770	3,500,000	2,459,179
8	2014	<u>0</u>	<u>122,959</u>	<u>2,582,138</u>	<u>0</u>
	Totals	\$22,000,000	\$5,082,138	\$30,582,138	

Prepared: 8/22/2007

**Phased Withdrawal of Legacy Funds Spreadsheet
(Version 2c)**

Assumptions: Initial capitalization is \$ 22,000,000
Average Rate of Annual Return on Investment: 7% per year
Rate of Withdrawal: \$3.5 million per year
No Return from Any Project Investment

No.	Year	Deposits	<u>Plus:</u> Earnings Based on Annual Rate of Return @ 7.00%	<u>Less:</u> Annual Withdrawal \$3,500,000	Remaining Cash Balance
	2006	\$22,000,000			\$22,000,000
1	2007	0	\$1,540,000	\$3,500,000	20,040,000
2	2008	0	1,402,800	3,500,000	17,942,800
3	2009	0	1,255,996	3,500,000	15,698,796
4	2010	0	1,098,916	3,500,000	13,297,712
5	2011	0	930,840	3,500,000	10,728,552
6	2012	0	750,999	3,500,000	7,979,551
7	2013	0	558,569	3,500,000	5,038,120
8	2014	0	352,668	3,500,000	1,890,788
9	2015	<u>0</u>	<u>132,355</u>	<u>2,023,143</u>	<u>0</u>
	Totals	\$22,000,000	\$7,890,788	\$31,500,000	

Prepared: 8/22/2007

**Phased Withdrawal of Legacy Funds Spreadsheet
(Version 2d)**

Assumptions: Initial capitalization is \$ 22,000,000
Average Rate of Annual Return on Investment: 9% per year
Rate of Withdrawal: \$3.5 million per year
No Return from Any Project Investment

No.	Year	Deposits	<u>Plus:</u> Earnings Based on Annual Rate of Return @ 9.00%	<u>Less:</u> Annual Withdrawal \$3,500,000	Remaining Cash Balance
	2006	\$22,000,000			\$22,000,000
1	2007	0	\$1,980,000	\$3,500,000	20,480,000
2	2008	0	1,843,200	3,500,000	18,823,200
3	2009	0	1,694,088	3,500,000	17,017,288
4	2010	0	1,531,556	3,500,000	15,048,844
5	2011	0	1,354,396	3,500,000	12,903,240
6	2012	0	1,161,292	3,500,000	10,564,532
7	2013	0	950,808	3,500,000	8,015,340
8	2014	0	721,381	3,500,000	5,236,721
9	2015	0	471,305	3,500,000	2,208,026
10	2016	<u>0</u>	<u>198,722</u>	<u>2,406,748</u>	<u>0</u>
	Totals	\$22,000,000	\$11,236,721	\$31,500,000	

Prepared: 8/22/2007

**Phased Withdrawal of Legacy Funds Spreadsheet
(Version 1a)**

Assumptions: Initial capitalization is \$ 22,000,000
Average Rate of Annual Return on Investment: 3% per year
Rate of Withdrawal: \$2.5 million per year
No Return from Any Project Investment

No.	Year	Deposits	<u>Plus:</u> Earnings Based on Annual Rate of Return @ 3.00%	<u>Less:</u> Annual Withdrawal \$2,500,000	Remaining Cash Balance
	2006	\$22,000,000			\$22,000,000
1	2007	0	\$660,000	\$2,500,000	20,160,000
2	2008	0	604,800	2,500,000	18,264,800
3	2009	0	547,944	2,500,000	16,312,744
4	2010	0	489,382	2,500,000	14,302,126
5	2011	0	429,064	2,500,000	12,231,190
6	2012	0	366,936	2,500,000	10,098,126
7	2013	0	302,944	2,500,000	7,901,070
8	2014	0	237,032	2,500,000	5,638,102
9	2015	0	169,143	2,500,000	3,307,245
10	2016	0	99,217	2,500,000	906,462
11	2017	<u>0</u>	<u>27,194</u>	<u>933,656</u>	<u>0</u>
	Totals	\$22,000,000	\$3,933,656	\$28,433,656	

Prepared: 8/22/2007

**Phased Withdrawal of Legacy Funds Spreadsheet
(Version 1b)**

Assumptions: Initial capitalization is \$ 22,000,000
 Average Rate of Annual Return on Investment: 5% per year
 Rate of Withdrawal: \$2.5 million per year
 No Return from Any Project Investment

No.	Year	Deposits	<u>Plus:</u> Earnings Based on Annual Rate of Return @ 5.00%	<u>Less:</u> Annual Withdrawal \$2,500,000	Remaining Cash Balance
	2006	\$22,000,000			\$22,000,000
1	2007	0	\$1,100,000	\$2,500,000	20,600,000
2	2008	0	1,030,000	2,500,000	19,130,000
3	2009	0	956,500	2,500,000	17,586,500
4	2010	0	879,325	2,500,000	15,965,825
5	2011	0	798,291	2,500,000	14,264,116
6	2012	0	713,206	2,500,000	12,477,322
7	2013	0	623,866	2,500,000	10,601,188
8	2014	0	530,059	2,500,000	8,631,247
9	2015	0	431,562	2,500,000	6,562,809
10	2016	0	328,140	2,500,000	4,390,949
11	2017	0	219,547	2,500,000	2,110,496
12	2018		<u>105,525</u>	<u>2,216,021</u>	<u>0</u>
Totals		\$22,000,000	\$7,610,496	\$30,000,000	

Prepared: 8/22/2007

**Phased Withdrawal of Legacy Funds Spreadsheet
(Version 1c)**

Assumptions: Initial capitalization is \$ 22,000,000
Average Rate of Annual Return on Investment: 7% per year
Rate of Withdrawal: \$2.5 million per year
No Return from Any Project Investment

No.	Year	Deposits	<u>Plus:</u> Earnings Based on Annual Rate of Return @ 7.00%	<u>Less:</u> Annual Withdrawal \$2,500,000	Remaining Cash Balance
	2006	\$22,000,000			\$22,000,000
1	2007	0	\$1,540,000	\$2,500,000	21,040,000
2	2008	0	1,472,800	2,500,000	20,012,800
3	2009	0	1,400,896	2,500,000	18,913,696
4	2010	0	1,323,959	2,500,000	17,737,655
5	2011	0	1,241,636	2,500,000	16,479,291
6	2012	0	1,153,550	2,500,000	15,132,841
7	2013	0	1,059,299	2,500,000	13,692,140
8	2014	0	958,450	2,500,000	12,150,590
9	2015	0	850,541	2,500,000	10,501,131
10	2016	0	735,079	2,500,000	8,736,210
11	2017	0	611,535	2,500,000	6,847,745
12	2018	0	479,342	2,500,000	4,827,087
13	2019	0	337,896	2,500,000	2,664,983
14	2020	0	186,549	2,500,000	351,532
15	2021	0	<u>24,607</u>	<u>376,139</u>	<u>0</u>
Totals		\$22,000,000	\$12,347,745	\$30,000,000	

Prepared: 8/22/2007

**Phased Withdrawal of Legacy Funds Spreadsheet
(Version 1d)**

Assumptions: Initial capitalization is \$ 22,000,000
Average Rate of Annual Return on Investment: 9% per year
Rate of Withdrawal: \$2.5 million per year
No Return from Any Project Investment

No.	Year	Deposits	<u>Plus:</u> Earnings Based on Annual Rate of Return @ 9.00%	<u>Less:</u> Annual Withdrawal \$2,500,000	Remaining Cash Balance
	2006	\$22,000,000			\$22,000,000
1	2007	0	\$1,980,000	\$2,500,000	21,480,000
2	2008	0	1,933,200	2,500,000	20,913,200
3	2009	0	1,882,188	2,500,000	20,295,388
4	2010	0	1,826,585	2,500,000	19,621,973
5	2011	0	1,765,978	2,500,000	18,887,951
6	2012	0	1,699,916	2,500,000	18,087,867
7	2013	0	1,627,908	2,500,000	17,215,775
8	2014	0	1,549,420	2,500,000	16,265,195
9	2015	0	1,463,868	2,500,000	15,229,063
10	2016	0	1,370,616	2,500,000	14,099,679
11	2017	0	1,268,971	2,500,000	12,868,650
12	2018	0	1,158,179	2,500,000	11,526,829
13	2019	0	1,037,415	2,500,000	10,064,244
14	2020	0	905,782	2,500,000	8,470,026
15	2021	0	762,302	2,500,000	6,732,328
16	2022	0	605,910	2,500,000	4,838,238
17	2023	0	435,441	2,500,000	2,773,679
18	2024	0	249,631	2,500,000	523,310
19	2025	0	<u>47,098</u>	<u>570,408</u>	<u>0</u>
	Totals	\$22,000,000	\$18,368,650	\$30,000,000	

Prepared: 8/22/2007

Short Term Action (2006-2009)

Eliminate the \$16,700,000 in Common Project payments to the Legacy Fund for 2006-2009.

Comments: The NRP Policy Board, in its July 21, 2003 resolution (NRP/PR#2003-11) expressing support for the City's NRP Ordinance revision and the waiver of claim against revenues from settlement of defaulted loans, based its support on projections of NRP Revenue produced by the City as Case 1 in the June 4, 2003 Common Project Review. The revenue projections have significantly changed, however, since that date and the book value of the Legacy Fund has increased. It would be appropriate to reexamine the need for borrowing against that fund at this time and affirm, or change, the earlier decisions. Action on the planned Legacy Fund borrowings could eliminate the revenue gap between the March 2004 Common Project Revenue projections by the City that were used as the base for the neighborhood allocations for Phase II and the October 2005 Common Project revenue projections produced by the City.

Pros: Action can be taken solely by and is within the authority of the City.

Uses revenues earned in the Common Project for Common Project priorities.

Can be done simply and quickly.

Addresses the short-term revenue shortfall for NRP projected by the City in October 2005.

Cons: May decrease the ability of the Legacy Fund to recover its initial capitalization.

Implementation Considerations:

Requires action by the City Council to change Resolution 2003R-404.

Possible Revenue:

Maximum amount would be \$16.7 million. Proposed amount for NRP is \$12.8 million. City Council Resolution 2003R-404 requires repayment from the Common Project of \$16.7 million for Legacy Fund borrowings in 2006-2009. The proposal would be to pay off the unpaid balance of the 2004 and 2005 Legacy Fund loans (\$3,820,000) from the Common Project but discontinue the borrowings and payback from the Common Project after

these payments are made. This means that approximately \$12.8 million projected as needed for Legacy Fund repayment would be available from the Common Project to make up the revenue gap for neighborhood allocations. Taking this single action would eliminate the revenue shortfall for neighborhood improvement investments in the City's October 2005 projections.

Short and Long Term Action (2006-2019)

Contract with the City for \$6.5 million annually to provide citizen and community engagement services.

Comments: In July 2003 the City estimated the costs of the existing citizen participation and engagement system and activities of the City and its departments at approximately \$9 million per year. Although the estimate included the costs for the NRP Central office and neighborhood organizations, it did not include any amounts for some of the City's major departments (such as Public Works and Communications) with citizen engagement responsibilities.

Pros: Savings to the City could exceed more than \$3 million annually of current City expenditures for this activity.

NRP has helped establish and maintain an effective neighborhood infrastructure to accomplish and improve the citizen participation and engagement activity of the City.

Uses personnel with organizing, communication and engagement skills and knowledge of City department staff and functions for activities that they know and are good at.

Places engagement activity in a Joint Powers governed organization.

Encourages NRP to reach additional audiences and further enhance neighborhood outreach efforts.

Provides a needed service to the City in a more cost effective and efficient manner.

Cons: Possible reluctance by departments to support the new process and cooperate with its implementation.

Implementation Considerations:

Requires a mutually agreeable contract.

Possible Revenue:

The amount of the contract would be for \$6.5 million per year. The proposed additional revenue for NRP is \$3.0 million per year. The 2003 cost estimate included direct administrative support to neighborhood organizations (primarily through NRP) and more general citizen engagement activity. The estimate did not include citizen engagement activities of several City departments. The services covered under this contract would include operating support to neighborhood organizations, printing and distribution of required Regulatory Services, Development and Zoning notifications, expanding the NRP website into a Community Connections website, and taking over the responsibility for organizing and managing a new neighborhood block club network for the City. The savings to the City, based on the 2003 report of the City on its citizen participation costs, would be at least \$2.5 million per year.