

Memorandum

Date: November 19, 2008

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Subject: 2009 Administrative Budget Proposal

The final budget proposal for 2009 is attached to this memorandum for your consideration. The spreadsheets are similar in format to past budget submissions. The 2009 Budget includes the expenses of the Minneapolis and Saint Paul Home Tour (but not the offsetting revenues). Payments to the City for support from DFD, CPED and other City services continue to be (as they have been for the past 8 years) more than 20% of our budget. Services for neighborhoods account for another 15% of the 2009 budget.

This year's budget includes a projected Cost of Living Adjustment for all NRP staff of 2%. The percentage will be consistent with the COLA offered to City employees. This will be the first COLA for NRP staff since 2007.

The central function of NRP's administrative office is to help neighborhoods develop and implement their Phase II Neighborhood Action Plans (NAP's). Twelve (12) plans were approved in 2007 by the Policy Board and three more have been approved in 2008. The cumulative total for approved Phase II NAP's now stands at 44 (or 60.2% of the total number of plans that will be submitted for approval in Phase II). This work has been accomplished in the four years since the Board adopted the neighborhood allocations. In Phase I it took 5 years to approve 25 NAP's.

Together, the approved NAP's for Phase II appropriate about 66% of the total funds set aside for neighborhoods in 2004. Of the appropriated total 75.2% is allocated to housing or housing related activities, programs, projects or services and only 17.5% for neighborhood general administrative costs. If these investments occur as approved and the same requirements for Phase II NAP's apply to the neighborhoods that have not yet submitted their Phase II plans for approval, NRP will meet its statutory housing investment goal for the program. We will not be able to meet this goal if the Phase II shortfall is not filled.

In addition to helping with the development of plans, our contracting activity continues at a high level. In 2008 we continued and formalized the detail of one of our staff to assist the Development Finance Division (DFD) with the development and processing of housing related contracts to take up the slack after a 2007 staff change occurred in the Division.

In 2006 the Policy Board took the initiative to put the discussion of NRP after 2009 on the table. The Continuation Task Force established by the Board in 2005 presented its report to the Board in April, 2006. They addressed both the immediate Phase II shortfall and the longer-term options for financing NRP and continued neighborhood improvement after 2009.

The Phase II shortfall contained in the revenue projections published by the City for the Common Project in October 2007 have been a major source of concern. At the projected level of funding, NRP would not have been able to provide the 70% of the original 2004 Phase II allocation (which was also based on projections by the City) that was the minimum that neighborhoods were expecting and that the Policy Board believed was reasonable and conservative. As a result, the City Council acted in December 2007 to guarantee that neighborhoods would receive funding at the 70% level.

The updated NRP Capitalization projections published in October 2008 have greatly reduced the size of the projected shortfall. The revenues actually realized in 2007 exceeded City projections by 120% and reduced the projected shortfall from \$12,638,037 to \$4,170,756.

Two other events have occurred that greatly impact the future of NRP and neighborhoods.

In November 2007 the City Council established an NRP Work Group consisting of four City Council members, a representative from the Mayor's office and the NRP Director to review options for continuing a neighborhood revitalization effort after 2009. A draft report was released in December 2007 and the final report ("Framework for the Future: Options for the focus, funding and governance of NRP Program and Action Plan activities after 2009" (hereinafter "Framework") was submitted to the Council's Committee of the Whole on July 24, 2008.

The recommendations included in the "Framework " have major implications for NRP and future budgets, staffing and activities and were adopted by the City Council on September 26. For 2009, however, NRP will remain an independent program and this budget has been developed with that expectation but also with consideration of the potential for major changes in 2010 and beyond.

Future funding for neighborhoods has been an identified issue for several years. In March residents worked with two City legislators to introduce a bill that would provide funding to NRP and neighborhoods after 2009. The City of Minneapolis provided an alternative bill and the Tax Conference Committee passed legislation that allows a new type of tax increment district that would provide funding for neighborhood revitalization purposes after 2010. The bill may need some clarifications but it is a major step in the direction of providing future support for neighborhood revitalization activities.

The issues about the future structure of NRP and the funding of neighborhoods after 2010 (and the Phase II gap) will have to be resolved soon, but the first priority of the NRP office and staff has to be continuing to help the thousands of residents and participants that are involved now in developing and implementing plans for the improvement of their neighborhood.

Of course, that is not all that NRP does.

The Minneapolis and Saint Paul Home Tour continues to be a big event and a great marketing opportunity for city living. The 2008 Minneapolis & Saint Paul Home Tour on April 26 and 27 marked the 21st consecutive year of this annual event to showcase city living. NRP has been coordinating the Tour for the past 6 years and it has been a major venue for presenting neighborhood and resident housing related accomplishments.

When NRP assumed responsibility for this activity six years ago, we committed to covering as much of our direct costs as possible with sponsorships. Sponsor and ad revenues covered all of the direct and indirect costs and indirect expenses have been reduced as a result of continually reexamining and modifying the manner in which the Tour is conducted. The Expense and Revenue reports for 2008 showed that we actually made a profit of \$1,853.18.

This year's Tour contained 50 homes, with "Green" and "Historic" sub tours. The Tour highlighted homes in the Lyndale, Field Regina Northrop, and Hawthorne neighborhoods in Minneapolis and Highland Park, Dayton's Bluff and the West Side neighborhoods in Saint Paul.

The number of visitors (more than 3,900) was down 26.9% from the corresponding figure for 2007 but almost identical to the number of visitors in 2006. This years attendees visited almost 7 homes per person and the 26,011 visits represented a decline of 29% from last year but an increase of 15.2% over the corresponding 2006 figure. Of the visitors, 25% were from outside Minneapolis and St. Paul in 2008. The corresponding figures for 2007 and 2006 were 27% and 22%, respectively.

The Tour was viewed as very well run by the visitors and we received a number of very complimentary comments on the survey responses.

We also conducted a session of the reformatted Community Leadership Institute with the American Indian community. You will note that this training and education activity is being dropped from the 2009 Budget proposal as part of our cost reduction effort. External sources are being pursued to cover the program costs and allow it to continue.

The proposed budget for 2009 continues our efforts to reduce central office costs and staffing. The proposal is for the reduction of 1 FTE in the staff complement. Overall the proposed 2009 Budget is 14.5% less than the approved 2008 Budget and 15.6% less than the 2007 expenditures. The budget also includes a 2% Cost of Living Adjustment for NRP staff.

The draft budget makes many significant changes:

- Audit support is reduced and a new threshold will be proposed.
- The Community Leadership Institute is deleted and will be continued only if external funding is secured.
- Neighborhood representative elections will be run by NRP staff

At the September Policy Board meeting I provided you with the draft budget that I submitted to the Mayor during the Mayor's Budget hearing on NRP in July. The numbers in the spreadsheets are different than that draft and respond to a number of issues and concerns raised by the Mayor and other City staff.

I am now recommending the following resolution for action and adoption by the Policy Board:

RESOLVED: That the Minneapolis Neighborhood Revitalization Program (NRP) Policy Board (Board) approves and adopts the Neighborhood Revitalization Program Administrative Budget for Fiscal Year 2009, in the amount of \$1,428,620 as detailed in "Attachment A" to the Directors Administrative Budget Proposal memorandum of November 19, 2008 which is incorporated herein by reference;

RESOLVED FURTHER: That the Board authorizes the Director to spend up to \$1,428,620 in FY 2009 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 \$1,428,620 of NRP Program Moneys for administrative expenditures in 2009;

RESOLVED FURTHER, That the Director is hereby authorized and directed to request that the City Council, City of Minneapolis, appropriate \$ 1,428,620 to Fund CNR0-890-3550 for the purposes herein authorized, and to request that CPED immediately transfer \$1,428,620 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" to the November 19, 2008 Administrative Budget Proposal memorandum.

FY 2009 NRP Administrative Budget									
(Proposed)									
Codes	Description	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget	2008 Current ¹	2009 Proposed	% Change 2009 vs 2008
4000-4900	Salaries	\$ 649,288	\$ 624,579	\$ 619,626	\$ 637,097	\$ 580,475	\$ 241,193	\$ 509,736	-12.19%
7800-7860	Fringe Benefits	\$ 136,104	\$ 141,382	\$ 141,671	\$ 151,326	\$ 151,500	\$ -	\$ 134,684	-11.10%
	Personnel Subtotal	\$ 785,392	\$ 765,960	\$ 761,297	\$ 788,423	\$ 731,975	\$ 241,193	\$ 644,420	-11.96%
5010	Advertising & Publications ³	\$ 23,195	\$ 32,517	\$ 28,920	\$ 11,560	\$ 25,500	\$ 17,167	\$ 21,000	-17.65%
5011	City Benefit Admin Fee ³	\$ -	\$ 2,304	\$ 2,481	\$ 2,700	\$ 2,757	\$ -	\$ 2,000	-27.46%
5015	BIS Charges ⁴	\$ -	\$ -	\$ -	\$ 3,900	\$ 11,784	\$ -	\$ 12,200	3.53%
5017	Phone Charges ⁵	\$ -	\$ 6,238	\$ 6,439	\$ 2,085	\$ 7,935	\$ -	\$ 7,000	-11.78%
5020	Communications	\$ 15,347	\$ 8,330	\$ 10,882	\$ 10,755	\$ 12,000	\$ 6,166	\$ 13,000	8.33%
5050	Printing	\$ 11,407	\$ 8,497	\$ 4,761	\$ 13,905	\$ 9,000	\$ 1,651	\$ 7,000	-22.22%
5070	Professional Services	\$ 657,836	\$ 617,487	\$ 693,478	\$ 671,260	\$ 688,000	\$ 66,950	\$ 563,000	-18.17%
5080	Rent/Office Furniture ⁶	\$ 87,449	\$ 87,723	\$ 87,971	\$ 92,867	\$ 89,000	\$ 54,077	\$ 89,000	0.00%
5130	Miscellaneous	\$ 3,797	\$ 1,072	\$ 2,060	\$ 8,453	\$ 2,500	\$ 2,116	\$ 1,500	-40.00%
6040	Transportation/Parking	\$ 421	\$ 508	\$ 296	\$ 313	\$ 750	\$ 150	\$ 500	-33.33%
6050	Education ⁷	\$ 48,750	\$ 32,650	\$ 29,250	\$ 15,000	\$ 25,000	\$ 20,750	\$ 4,000	-84.00%
6060	Travel Expense	\$ -	\$ -	\$ 3,216	\$ 3,813	\$ 2,100	\$ -	\$ 2,000	-4.76%
6080	Insurance ⁸	\$ 62,992	\$ 58,676	\$ 54,987	\$ 49,601	\$ 49,000	\$ 49,768	\$ 51,000	4.08%
6100	Administrative Supplies	\$ 8,211	\$ 8,959	\$ 4,868	\$ 9,790	\$ 6,200	\$ 1,506	\$ 4,000	-35.48%
7880	Workers Comp	\$ 3,414	\$ 3,684	\$ 3,734	\$ 3,271	\$ 3,500	\$ 3,460	\$ 3,500	0.00%
8020	Equipment	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ 500	0.00%
8025	Hardware	\$ -	\$ 3,942	\$ 7,765	\$ 5,797	\$ 2,500	\$ 839	\$ 2,500	0.00%
8035	Software	\$ 137	\$ -	\$ 1,438	\$ -	\$ 500	\$ 1,090	\$ 500	0.00%
	Non Personnel Subtotal	\$ 922,956	\$ 872,587	\$ 942,545	\$ 905,071	\$ 938,526	\$ 225,689	\$ 784,200	-16.44%
	Totals	\$ 1,708,348	\$ 1,638,548	\$ 1,703,843	\$ 1,693,494	\$ 1,670,501	\$ 466,882	\$ 1,428,620	-14.48%
¹ Expenditures as of 6/12/2008 (NOTE: Salaries are through 5-31-08, NO Fringe is showing up to-date, and recent travel costs are not showing)									
² Expenditures in 5010, 5050 & 5070 in 2006, 2007 and 2008 include Home Tour advertising, publications, printing and professional services.									
³ Added as a 2005 line item.									
⁴ Added as a 2006 line item. Previously paid by the City under the MOU. The 2009 proposal includes Application Support, Operating Charges, Data Connectivity and Special Charges.									
⁵ Code 5080 includes office rent, operating expenses and parking charges.									
⁶ Beginning in 2002 Code 6050 included support for the Community Leadership Institute at St. Thomas. This activity is being suspended in 2009.									
⁷ Code 6080 includes D&O Insurance for neighborhoods and the NRP Policy Board. The D&O premium for 2008 covers 69 neighborhood organizations (for \$ 47,604) and the NRP Policy Board (for \$ 2,164).									
Note: Expenses for the Home Tour in 2006, 2007 and 2008 are included. Revenues from the Home Tour are not. In 2008 these revenues were \$58,125 .									
Rev:11/19/08									

FY 2009
NRP Administrative Budget (Proposed)
Contracts for Professional Services

Professional Services	FY 2009(Proposed) Amount	FY 2008 Budget	\$ Change	% Change
CPED/City of Minneapolis (DFD)	\$ 300,000	\$ 375,000	\$ (75,000)	-20.00%
Office of Minnesota State Auditors	\$ 90,000	\$ 120,000	\$ (30,000)	-25.00%
Hennepin County	\$ 12,000	\$ 10,000	\$ 2,000	20.00%
The Gavzy Group (PlanNet NRP)	\$ 7,000	\$ 10,000	\$ (3,000)	-30.00%
Kennedy and Graven	\$ 30,000	\$ 45,000	\$ (15,000)	-33.33%
Mike Wilson & Associates (Auditors)	\$ 40,000	\$ 45,000	\$ (5,000)	-11.11%
MTN (Video Communications)	\$ 20,000	\$ 20,000	\$ -	0.00%
I-Systems (PlanNet NRP and network support)	\$ 7,500	\$ 10,000	\$ (2,500)	-25.00%
County Computer Support Services	\$ 7,000	\$ 10,000	\$ (3,000)	-30.00%
Other Consultants	\$ 44,000	\$ 35,000	\$ 9,000	25.71%
Web Site Design/Support	\$ 3,000	\$ 3,000	\$ -	0.00%
Eve Borenstein (Attorney)	\$ 2,500	\$ 2,500	\$ -	0.00%
Minneapolis League of Women Voters	\$ -	\$ 2,500	\$ (2,500)	-100.00%
Total	\$ 563,000	\$ 688,000	\$ (125,000)	-18.17%

Detail for Other Consultants (Projected)

Other Consultants (Detail):

Margo Ashmore (LINK)	\$ 9,000.00
Do Good Biz (Mailings, Postage, Distribution)	\$ 2,000.00
Margo Ashmore (Home Tour)	\$ 16,000.00
Scott Amundson (Home Tour)	\$ 8,000.00
Tri Park (Home Tour)	\$ 9,000.00

Final Draft: 11/18/08