

Memorandum

Date: November 16, 2009

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Subject: 2010 NRP Administrative Budget

The proposed budget for 2010 is attached to this memorandum. Although most of the content of this memorandum is the same as the draft that you received in September, two major changes have occurred: 1) the Memorandum of Understanding with the Development Finance Division of the City for 2010-2011 has been finalized, and 2) the underwriter of the Directors and Officers (D & O) insurance policy for the neighborhoods has informed us that the policy will not be renewed when it expires in March, 2010. Both of these events have had a significant impact on the draft 2010 Budget.

The spreadsheets attached are similar in format to past budget submissions. Payments to the City for support from DFD, CPED and other City services continue to be a major part of our budget (as they have been for the past 9 years). In 2010 they are projected to exceed 15% of the proposed total. Direct services for neighborhoods account for another 17% of the 2010 budget.

The central function of NRP's administrative office is to help neighborhoods develop and implement their Phase II Neighborhood Action Plans (NAP's). The Policy Board approved three plans in 2008 and one plan has been approved in 2009 to bring the cumulative total for approved Phase II NAP's to 45 (or 63% of the total number of plans that will be submitted for approval in Phase II). This work has been accomplished in the five years since the Board adopted the neighborhood allocations. Twenty five (25) NAP's were approved in the first five years of Phase I.

The slow submissions of plans and pacing of approvals has been deliberate and based on the uncertainties associated with the pending transfer of the final revenues from the Common Project this December. The December transfer accounts for almost 50% of NRP's Phase II allocations for neighborhoods. After NRP's capitalization is completed plan approvals will significantly increase and the final allocations of Phase II funds will be determined.

Together, the approved NAP's for Phase II appropriate more than 65% of the total funds set aside for neighborhoods in 2004. Of the appropriated total over 75% is allocated to housing or housing related activities, programs, projects or services and only 18% 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.

Our contracting and contract management activity continues at a high level. We have processed over 1,000 Phase I plan modifications, more than 100 Phase II plan modifications and have more than 350 open contracts that NRP staff help oversee. In 2009 we continued 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. The presence of this NRP employee has allowed DFD to leave their open City position vacant.

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 initiating a new neighborhood and community engagement effort after 2009. A draft report was released in December 2007 and the report "Framework for the Future" report (hereinafter "Framework") was submitted to the Council's Committee of the Whole on July 24, 2008.

The recommendations included in the "Framework", with some minor modifications, were adopted by the City Council on September 26, 2008. The new structure adopted by the City began operating in the summer of 2009 with meetings of the new Neighborhood and Community Engagement Commission and establishment of the new Neighborhood and Community Relations Department.

Future funding for neighborhoods has been an identified and major issue for several years. In March, 2008 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 could provide funding for neighborhood revitalization purposes after 2010. The bill may need some clarifications but it can provide future support for neighborhood revitalization activities. The City is in the process of establishing the Consolidated Redevelopment TIF District authorized by the Special Legislation (Laws of Minnesota 2008, Chapter 366, Article 5, Section 37) passed in 2008. The exact content of this district will determine the potential resources available from the City for community engagement in 2011 and thereafter. The way the revenues from any new district are used will be determined by the City Council and Mayor.

At the Policy Board meeting on June 22, I proposed that discussions begin about the future of NRP after the revenue stream from the Common Project and the maturing Brookfield loan ends in 2009. The big issues relate to the relationship between the 2008 Special Law that allows Minneapolis to establish a Consolidated Redevelopment Tax

Increment Financing District and NRP and the responsibility for management of the funds NRP received, and contracted out, in Phases I and II.

At that meeting the Board adopted a resolution directing that a legal opinion be obtained from NRP's external counsel on the impact of the creation of the Minneapolis Neighborhood and Community Relations Department on the NRP program that addressed, at a minimum, the:

- Impact of the 2008 Special Law on the funding sources for, and status of, NRP after 2009; and
- Who has responsibility for, and what is the status of, NRP funds from Phase I and Phase II after 2009.

As a result of this action, the following questions were asked of NRP's external counsel:

1. What is the status of the NRP after 2009?
2. What authority does the City of Minneapolis and specifically the new Neighborhood and Community Relations Department (NCRD) and Neighborhood and Community Engagement Commission (NCEC) have under the 2008 Special Law over NRP funds received between 1990 and 2009 or appropriated to implement a Phase I or Phase II NRP Neighborhood Action Plan?
3. What is the impact of the 2008 Special Law on tax increment financing districts in the "Common Project" and the other funding sources committed under the City's NRP ordinance to provide funding for the NRP through 2009?
4. What impact does the 2008 Special Law have on NRP funds and the program income retained by neighborhoods after 2009?
5. Who has responsibility for managing the NRP funds after 2009?

Counsel reviewed these questions and consulted with other legal authorities in order to provide an opinion on these questions to the Board. Mr. Michael Norton provided the opinion to all Policy Board members at the Board's September meeting.

The Executive Summary of the Opinion and the Conclusion state:

The NCRD will be implemented pursuant to the 2008 Special Law. The 2008 Special Law is prospective in operation and neither the 2008 Special Law on its face, nor the NCRD as a City department has any legal authority over the treatment of NRP Funds. In order for NRP Funds to be spent now or in the future, the NRP Law mandates that there be an NRP Program with all the required indicia, that is, neighborhoods creating and implementing neighborhood action plans, a multi-jurisdictional NRP Board addressing program issues and approving neighborhood action plans, and the City approving qualified expenditures.

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 their Phase II plans for the improvement of their neighborhood.

The proposed budget also includes the expenses of the Minneapolis and Saint Paul Home Tour (but not the revenues). For the past 4 years the revenues earned from the Home Tour have paid for all of the direct and indirect expenses associated with supporting this event.

The 2009 Minneapolis & Saint Paul Home Tour on April 25 and 27 marked the 22nd consecutive year of this annual event to showcase city living. NRP has been coordinating the Tour for the past 7 years and it has been a major venue for presenting neighborhood and resident housing related accomplishments.

When NRP assumed responsibility for this activity seven 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 in 2009 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 2009 showed that we actually made a profit of \$1,472.28. This is the third straight year that we have been in the black for this event.

This year's Tour contained 60 homes, with "Green" and "Historic" sub tours. The Tour highlighted homes in the Willard-Hay, Audubon Park, Stevens Square, Linden Hills and Lynnhurst neighborhoods in Minneapolis and Highland Park, Macalester-Groveland, and Dayton's Bluff neighborhoods in Saint Paul.

The number of visitors (more than 4,200) was up 8.5% from the corresponding figure for 2008. This years attendees visited more than 7 homes per person and the 30,047 visits represented an increase of 15.5% from last year. Of the visitors, 23% were from outside Minneapolis and St. Paul. This figure is very consistent with similar figures from previous years.

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

The proposed budget for 2010 continues our efforts to reduce central office costs and staffing. The proposal reduces the office by 1 FTE in the staff complement to 7 FTE. NRP has reduced its staff by more than 70% over the past 15 years and done so without layoffs or terminations. All of our existing staff have been with NRP for at least 10 years. Overall the proposed 2010 Budget is 3.3% less than the approved 2009 Budget and 15% less than the 2008 expenditures.

The budget reductions would have been greater but for the completion of the negotiations with DFD that increased the MOU cap from the draft budget and the notification that NRP received that its carrier for neighborhood D & O insurance was dropping coverage in March 2010. NRP is pursuing, with several highly skilled brokers, new underwriters for this coverage but securing new insurers will most likely mean a significant increase in the premiums that we had expected and included in our initial draft of the 2010 budget.

This budget allows for a 50% increase in those premiums. This figure is based on the guidance provided by the professionals assisting us with the search for a new underwriter. **If the projections do not prove to be attainable, a budget amendment may be needed in 2010.**

With these considerations in mind, 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 2010, in the amount of \$1,382,156 as detailed in "Attachment A" to the this Administrative Budget Proposal memorandum, which is incorporated herein by reference;

RESOLVED FURTHER: That the Board authorizes the Director to spend up to \$1,382,156 in FY 2010 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 \$1,382,156 of NRP Program Moneys for administrative expenditures in 2010;

RESOLVED FURTHER, That the Director is hereby authorized and directed to request that the City Council, City of Minneapolis, appropriate \$ 1,382,156 to Fund CNR0-890-3550 for the purposes herein authorized, and to request that CPED immediately transfer \$1,382,156 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 this Administrative Budget Proposal memorandum.

2010 NRP Office Budget

(Proposed)

Codes	Description	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2009 Expenditures ¹	2010 Proposed	% Change 2010 vs 2009
4000-4900	Salaries	\$ 649,288	\$ 624,579	\$ 619,626	\$ 637,097	\$ 568,601	\$ 509,736	\$ 439,040	\$ 456,355	-10.47%
7800-7860	Fringe Benefits	\$ 136,104	\$ 141,382	\$ 141,671	\$ 151,326	\$ 140,849	\$ 134,684	\$ 131,527	\$ 184,735	37.16%
	Personnel Subtotal	\$ 785,392	\$ 765,960	\$ 761,297	\$ 788,423	\$ 709,450	\$ 644,420	\$ 570,567	\$ 641,090	-0.52%
5010	Advertising & Publications ²	\$ 23,195	\$ 32,517	\$ 28,920	\$ 11,560	\$ 7,646	\$ 21,000	\$ 20,627	\$ 24,000	14.29%
5011	City Benefit Admin Fee ³	\$ -	\$ 2,304	\$ 2,481	\$ 2,700	\$ 2,757	\$ 2,000	\$ -	\$ 2,498	24.90%
5015-5016, 5018	BIS Charges ⁴	\$ -	\$ -	\$ -	\$ 3,900	\$ 11,784	\$ 12,200	\$ -	\$ 13,149	7.78%
5017	Phone Charges	\$ -	\$ 6,238	\$ 6,439	\$ 2,085	\$ 7,935	\$ 7,000	\$ 2,403	\$ 5,978	-14.60%
5020	Communications	\$ 15,347	\$ 8,330	\$ 10,882	\$ 10,755	\$ 12,425	\$ 13,000	\$ 6,732	\$ 10,250	-21.15%
5050	Printing	\$ 11,407	\$ 8,497	\$ 4,761	\$ 13,905	\$ 7,101	\$ 7,000	\$ 3,467	\$ 5,000	-28.57%
5070	Professional Services	\$ 657,836	\$ 617,487	\$ 693,478	\$ 671,260	\$ 682,068	\$ 563,000	\$ 133,983	\$ 487,500	-13.41%
5080	Rent/Office Furniture ⁵	\$ 87,449	\$ 87,723	\$ 87,971	\$ 92,867	\$ 92,728	\$ 89,000	\$ 75,961	\$ 95,973	7.83%
5130	Miscellaneous	\$ 3,797	\$ 1,072	\$ 2,060	\$ 8,453	\$ 2,489	\$ 1,500	\$ 933	\$ 1,000	-33.33%
6040	Transportation/Parking ⁶	\$ 421	\$ 508	\$ 296	\$ 313	\$ 2,983	\$ 500	\$ 1,272	\$ -	-100.00%
6050	Education ⁷	\$ 48,750	\$ 32,650	\$ 29,250	\$ 15,000	\$ 21,087	\$ 4,000	\$ -	\$ -	-100.00%
6060	Travel Expense	\$ -	\$ -	\$ 3,216	\$ 3,813	\$ 3,932	\$ 2,000	\$ 754	\$ 2,000	0.00%
6080	Insurance ⁸	\$ 62,992	\$ 58,676	\$ 54,987	\$ 49,601	\$ 50,018	\$ 51,000	\$ 55,994	\$ 83,991	64.69%
6100	Administrative Supplies	\$ 8,211	\$ 8,959	\$ 4,868	\$ 9,790	\$ 6,856	\$ 4,000	\$ 2,841	\$ 3,000	-25.00%
7880	Workers Comp	\$ 3,414	\$ 3,684	\$ 3,734	\$ 3,271	\$ 3,460	\$ 3,500	\$ 3,601	\$ 3,727	6.49%
8020	Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ 500	0.00%
8025	Hardware	\$ -	\$ 3,942	\$ 7,765	\$ 5,797	\$ 1,656	\$ 2,500	\$ 15	\$ 2,000	-20.00%
8035	Software	\$ 137	\$ -	\$ 1,438	\$ -	\$ -	\$ 500	\$ 277	\$ 500	0.00%
	Non Personnel Subtotal	\$ 922,956	\$ 872,587	\$ 942,545	\$ 905,071	\$ 916,925	\$ 784,200	\$ 308,860	\$ 741,066	-5.50%
	Totals	\$ 1,708,348	\$ 1,638,548	\$ 1,703,843	\$ 1,693,494	1,626,375	\$ 1,428,620	\$ 879,427	\$ 1,382,156	-3.25%
¹ Expenditures as of 10/29/2009										
² Expenditures in 5010, 5050 & 5070 in 2006, 2007 and 2008 include Home Tour advertising, publications, printing and professional services.										
³ Added in 2005 as a line item.										
⁴ Added in 2006 as a line item. Previously paid by the City under the MOU. The 2009 amount covers Application Support(5014), Operating Charges(5015), Data Connectivity(5016) and Special Charges(5018).										
⁵ Includes office rent, operating expenses and parking charges at office.										
⁶ Covers reimburseable employee transportation and parking.										
⁷ Beginning in 2002 this code included funding for the Community Leadership Institute. Funding for CLI was discontinued in 2009.										
⁸ Includes premiums for D&O Insurance (\$ 48,560 for 69 neighborhoods and the NRP Policy Board in 2009) and NRP Office General Liability Insurance (\$ 2,139 in 2009). D&O insurance carrier is discontinuing coverage in 2010.										
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FY 2010
NRP Administrative Budget (Proposed)
Contracts for Professional Services

	FY 2010 (Proposed)	FY 2009 Approved Budget	\$ Change (2010 - 2009)	% Change
Professional Services				
DFD/City of Minneapolis (Administrative Support)	\$ 215,000	\$ 300,000	\$ (85,000)	-28.33%
Office of Minnesota State Auditor (NRP & Nghd audits)	\$ 90,000	\$ 90,000	\$ -	0.00%
Hennepin County (Contract Support)	\$ 10,000	\$ 12,000	\$ (2,000)	-16.67%
The Gavzy Group (PlanNet NRP)	\$ 7,000	\$ 7,000	\$ -	0.00%
Kennedy and Graven (NRP Legal Counsel)	\$ 30,000	\$ 30,000	\$ -	0.00%
Mike Wilson & Associates (Nghd audits)	\$ 45,000	\$ 40,000	\$ 5,000	12.50%
MTN (Video Communications)	\$ 15,000	\$ 20,000	\$ (5,000)	-25.00%
I-Systems (PlanNet NRP and network support)	\$ 7,500	\$ 7,500	\$ -	0.00%
Hennepin County (Computer System Support Services)	\$ 5,000	\$ 7,000	\$ (2,000)	-28.57%
Other Consultants (See below for Details)	\$ 59,500	\$ 44,000	\$ 15,500	35.23%
Web Site Design/Support (NRP Web site)	\$ 1,000	\$ 3,000	\$ (2,000)	-66.67%
Eve Borenstein (Attorney)	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>0.00%</u>
Total	\$ 487,500	\$ 563,000	\$ (75,500)	-13.41%

Detail for Other Consultants (Projected)

Margo Ashmore (LINK)	\$ 8,000.00
Do Good Biz (Mailings, Postage, Distribution)	\$ 2,500.00
Margo Ashmore (Home Tour Coordination)	\$ 17,000.00
Scott Amundson (Home Tour Photography)	\$ 8,000.00
Tri Park (Home Tour Printing and Website)	\$ 9,000.00
Ulrich and Mahoney (NRRC Audit)	\$ 15,000.00

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