

City of Minneapolis
Request for Committee Action

To: Health, Environment & Community Engagement
Date: 11/9/2015
Referral: N/A
From: Neighborhood & Community Relations
Prepared by: Robert Thompson
Presented by: Robert Thompson
File type: Action
Subcategory: City Policies

Subject:

Policy for Expenditure of NRP Funds

Description:

1. Approve NRP Plan Review Guidelines.
2. Direct NCR and Finance staff that “any neighborhood for which a Phase II funded contract is amended to remove funds or closed out with a balance remaining in that contract, that neighborhood shall be allowed to contract the amount released back to their Phase II plan as a result of the amendment or close-out of that contract.”

Previous Actions:

On November 17, 2014, the Health, Environment and Community Engagement (HECE) Committee of the Minneapolis City Council directed NCR staff to “engage neighborhood associations and the NCEC in developing policy and procedural recommendations for the Council which would establish guidelines for allowable balances of unspent NRP fund allocations and require any neighborhood association not meeting those guidelines to develop a plan with specific timelines on how they will use those funds, as well as developing reporting and monitoring procedures for the deployment of these resources.” Staff are to present a draft policy recommendation to Council no later than May 31, 2015.

Background/Analysis:

Community Engagement

NCR staff created an initial online survey to gather early input from neighborhood organization leaders, provided two informational meetings, and provided a 45 day review and comment period for neighborhood organizations to review the Policy and provide feedback. The feedback and analysis are provided on the NCR website at:

<http://www.minneapolismn.gov/ncr/programs/WCMS1P-139963>

NCR staff also provided reports at several meetings and requested feedback from the Neighborhoods and Community Engagement Commission and the NRP Policy Board, and their feedback was incorporated into the draft policy.

The NRP Policy Board reviewed this policy at their October 20, 2015 meeting and recommended approval.

Description

The attached Policy for Expenditure of NRP Funds provide for the following:

- A. NCR will prepare a status report of each neighborhood's Phase I and Phase II Plans in chronological order based on the date of Phase II plan approval.
- B. If the neighborhood has not reached certain contracting or expenditure thresholds by the seven-year anniversary of the Phase II plan's approval by the City Council, the neighborhood must:
 - (1) Submit a plan for achieving thresholds within one year; or
 - (2) Complete a robust neighborhood review process to affirm or revise current strategies;
or
 - (3) Request a waiver.
- C. All reviews will be submitted to NCR for review and approval. The NCR director may submit reviews that reallocate more than \$100,000 to the NRP Policy Board. New action plan strategies must be submitted to NRP Policy Board and City Council for approval.

Impact

Based on our initial analysis, 39 neighborhood organizations would be required to do some form of review, or request a waiver because their Phase II plans were approved more than seven years ago and they have not met all the thresholds for percentage of funds contracted or expended.

Of those 39 neighborhood organizations, 31 neighborhood organizations would be required to conduct a review solely because of not reaching contracting or expenditure tests for Phase II.

Factors affecting use of NRP funds

NCR staff reviewed the history of NRP capitalization and revenue generated by NRP activity (program income) and neighborhood expenses. The following analysis shows that delays in expenditures of NRP funds were largely not under control of neighborhood organizations.

1. Previous analysis by NCR staff shows that neighborhood organizations in aggregate spend down NRP funds within seven years of plan approval (see Chart 1, below).
2. Neighborhood organizations generated a total of \$21.8 million in program income from NRP Phase I investments. When NCR last reported in 2014, program income represented 41% of uncontracted NRP funds (see Chart 2, below). Because of program income, total neighborhood expenditures of NRP funds in Phase I exceeded actual allocations by \$8 million.
3. NRP Phase II capitalization was significantly reduced and delayed, with more than half of NRP Phase II capitalization not received until late in 2009 (see Chart 3, below). As a result the NRP Policy Board took action to deliberately slow down the rate of NRP Phase II expenditures.
4. Rather than delaying Phase II programs, many neighborhoods instead reallocated Phase I Program Income to replace lost or delayed Phase II funds. Neighborhood NRP home loans peaked in 2005, when NRP capitalization was lowest (see Chart 4, below).
5. For the 39 neighborhood organizations that would be impacted by this policy, the total amount of unexpended NRP funds is \$15 million. These same neighborhood organizations generated \$15.9 million in program income.

Footnote p to the 2011 General Appropriation Resolution

2011 General Appropriation Resolution 2010R-598 includes the following footnote p (as amended):

Direct the Finance and NCR departments to allow neighborhoods to contract an amount not to exceed 50% of their Phase II allocation (excluding Phase II allocated but not contracted

Reserve funds), as of City Council adoption of the 2011 budget, plus the neighborhood's portion, if any, of the \$2.68 million released to NRP after execution of this directive, as allocated by the Policy Board.

Notwithstanding the above, any neighborhood for which a Phase II funded contract, executed between 2001 and 2007, and for which the time of performance has expired by the end of 2010, is closed out with a balance remaining in that contract, that neighborhood shall be allowed to contract the amount released back to their Phase II plan as a result of the close-out of that contract.

This footnote as worded has restricted the ability of neighborhood organizations to close or amend contracts and recapture unexpended NRP funds for reallocation to other NRP contracts.

Chart 1: Neighborhood organizations have expended NRP allocations in aggregate within seven years of plan approval.

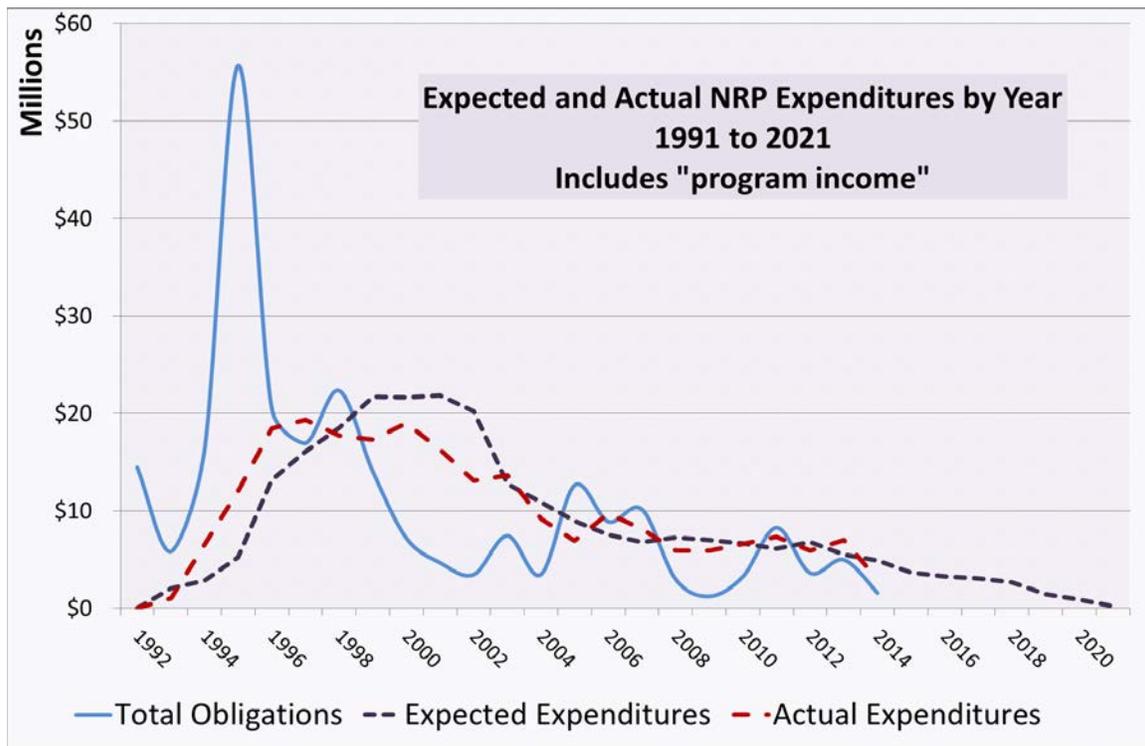


Chart 2: in 2014, program income constituted 41% of uncontracted NRP funds.

Program Income Represented 41% of Uncontracted NRP Funds in 2014.

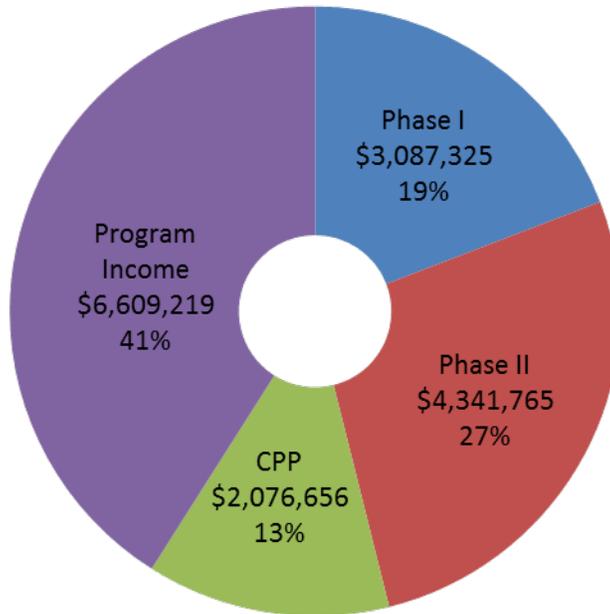
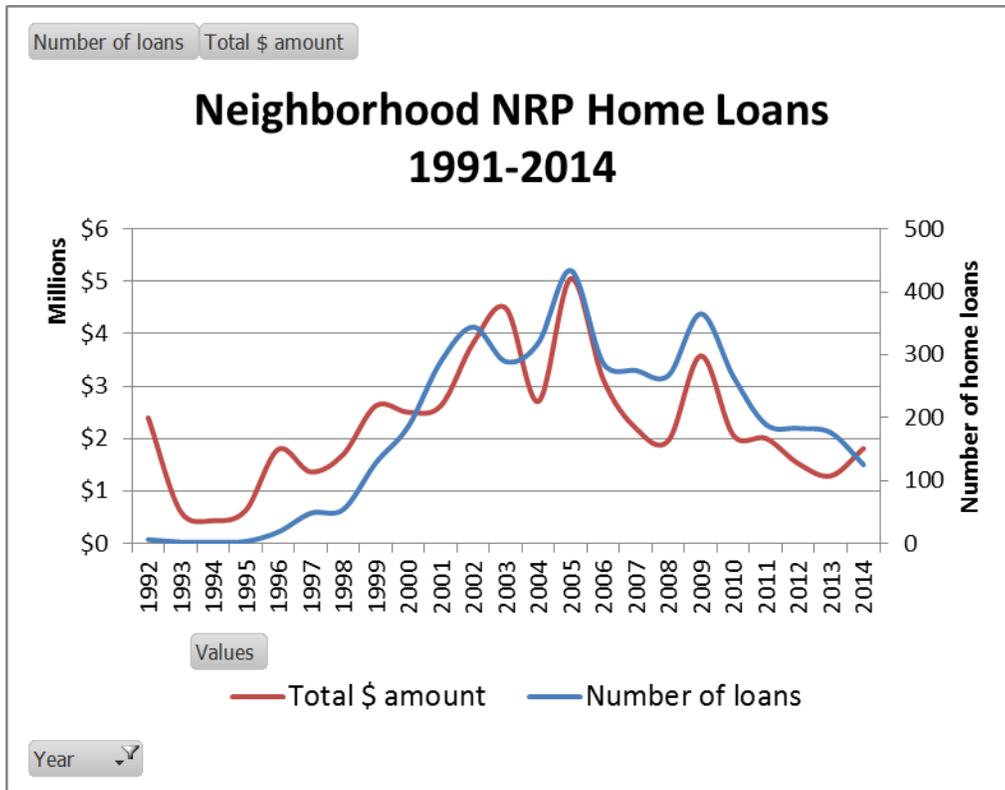


Chart 3: NRP Capitalization dropped significantly in the years 2004-2008.



Chart 4: Neighborhood NRP home loan activity peaked in mid-2000s, when NRP capitalization was at lowest level.



Financial Review:

No additional appropriation required, amount included in current budget.

- Future budget impact anticipated.
- Approved by the Permanent Review Committee.
- Meets Small and Underutilized Business Program goals.

Attachments:

1. Policy for Expenditure of NRP Funds