

## Report to the NRP Policy Board

FROM: Robert Thompson, Neighborhood Support Manager

DATE: Tuesday, January 21, 2014

SUBJECT: Neighborhood Relief Fund

**Action Requested:** Approve for a 45-Day Review a policy for The Neighborhood Relief Fund.

### **Background:**

The City of Minneapolis provides financial and technical support to recognized neighborhood organizations throughout the city. Hundreds of residents volunteer their time to provide guidance, oversight and management support for these organizations. However, this work is not without some risk, and unanticipated emergencies can consume time, energy and financial resources. The Neighborhood Relief Fund is intended to provide relief to an organization in order to preserve City investments and assets, reduce risk to volunteer organization leaders and maintain effective neighborhood organizations.

For a variety of reasons, neighborhood organizations funded through the Minneapolis Neighborhood Revitalization Program (NRP) or the Community Participation Program (CPP) may experience periods of financial hardship:

- Community emergency requiring immediate response from a neighborhood organization (e.g., May 22, 2011, tornado);
- Loss through theft, fire or other hazard (e.g., office fire);
- Initial costs of defense against lawsuits (e.g., insurance deductible)
- Financial mismanagement;
- Conflict and management issues; or
- Other extraordinary circumstances.

Since 2011, the Neighborhood and Community Relations Department has provided support to neighborhood organizations during times of crisis:

- In response to the May 2011 tornado, NCR worked with North Minneapolis neighborhood organizations to support their work in organizing volunteers for community cleanups, and assisted with development of the Rebuilding Our Community Fund.
- In 2013, several neighborhood organizations were threatened with lawsuits. While some of these lawsuits have been dismissed with no judgments against the organizations, others are still pending. These lawsuits leave the organizations facing legal bills, and organizational leaders and volunteers feeling unsupported and stressed. NCR has provided support through

a blanket Directors and Officers Liability Policy, and through guidance by nonprofit attorneys and other consultants. However, insurance deductibles place an immediate drain on organization resources, and distract organization leaders' attention away from community issues.

- NCR has assisted several neighborhood organizations in dealing with financial mismanagement by working with new boards to identify and resolve management problems, arranging for audits and financial reviews, and requiring additional financial or management controls within the organization.

**Process:**

Only those neighborhood organizations that are currently receiving funding through the CPP are eligible for the Neighborhood Relief Fund. Any request for relief funds must be approved by the neighborhood organization board of directors, and provide the circumstances and demonstrate the need for the request. Requests by a neighborhood organization of greater than \$25,000 must be approved after 21-day notice and demonstration of broad community support as defined in the Changing Approved Neighborhood Plans policy (adopted by the City Council in July 2013). All requests must clearly identify the intended use of funds.

In cases of loss through theft or mismanagement, the request must include a description of any corrective actions taken by the board. In such cases, the NCR Director will conduct an investigation before approving use of funds for any relief. In the event of a labor or management dispute, the neighborhood organization may request use of relief funds in order to hire an investigator, mediator or other professional services.

Requests must be provided in writing to the NCR Director. The Director may approve, modify or deny the request. The NCR Director may request additional information, including budgets, organization minutes and copies of financial policies. The NCR Director may also require additional corrective action, including but not limited to a financial review, compliance audit or financial audit of the organization, in accordance with NRP Audit Policy, and/or administrative or board training. Future funding may be contingent on the organization taking appropriate corrective action in response to audit findings.

Relief may be provided in the form of a direct grant of funds, an additional advance of a neighborhood's current allocation or as a draw against the neighborhood's future allocation.

At the NCR Director's discretion, relief funds may be provided through a separate contract, or through existing NRP or CPP contracts. In some cases, NCR may contract directly with consultants (such as investigators, mediators, auditors, accountants and bookkeepers) in order to reduce potential for conflict of interest or appearance of abuse of funds. The decision of the NCR Director is final.

Amounts greater than \$50,000 must also be approved by City Council.

**Eligible Expenses:**

- Legal expenses in response to a lawsuit or threatened lawsuit that are not otherwise covered by a Directors and Officers insurance Policy or General Liability policy. NCR may request

reimbursement by the neighborhood organization of some or all of these funds in cases where there is a judgment against the organization for reasons of malfeasance or misfeasance.

- Staff and consultant expenses.
- Replacement costs or temporary office space.
- Community organizing, outreach programs and other community services in response to a community emergency.
- Administrative costs associated with the proposed use of relief funds (e.g., bookkeeping, record keeping, reporting).
- Other activities consistent with the purposes of the Neighborhood Relief Fund.