

## Neighborhood Relief Fund (Proposed)

The Neighborhood and Community Relations Department is recommending that City Council approve the creation of a Neighborhood Relief Fund, and the use of up to \$200,000 of Consolidated Redevelopment Tax Increment Financing District (Consolidated TIF District) funds 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:

**Feedback:** "This section seem pretty open for most situations – especially if you keep in the other 'extraordinary circumstances'. But it does tend to lean towards items that have a clear event which isn't always the case. Thinking about our current situation in Como, the reasons stated should also implicitly cover:

- Environmental issues of a scope to impact the health and livability of a community.
- Discovered situations with a clear negative impact on a community that may have a longer duration or evolving scope – sometimes help is needed to even determine the problem.
- *Issues identified by outside agencies that require action (the 'blindsided' factor).*"

- 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).

**Feedback:** "I'm generally okay with this. There might be a few situations that could arise where getting the community feedback could be difficult. Such as the tornado where many people were forced out of their homes and may or may not be back to that community any time soon. A special circumstances request to bypass this requirement and allow the City Council to decide could be a way to address those cases. Should also be thought about in the long-term cases (comments below)."

All requests must clearly identify the intended use of funds.

**Feedback:** "A nominal budget as part of the application should not be a problem for anyone really needing funds, as long as there is a mechanism to change the budget around as a situation evolves. Sending updated budgets to NCR for staff approval?"

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.

**Feedback:** "Although Ventura Village got a good audit, we have found numerous ways to improve our financial behavior and are moving vigorously to plug holes related to some procedures. This has been a process carried out with NCR staff and consultants and is one that is greatly appreciated. I would not be happy propping up organizations unwilling to undertake the same review, analysis and restructuring."

**Feedback:** "There is an overriding view that in the case of financial mismanagement, those neighborhood boards who are not exercising their due diligence over the finances of the organization will receive the support of the NCR but those neighborhoods that always have and always will practice good financial management receive no recognition or support."

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.

**Feedback:** "I get where this is coming from, addressing cases where there might be mis-management. I just am concerned that an organizations existing budget becomes used to deny the need for added funds for extraordinary circumstances. Just because we seem to have some reserves in a current year budget doesn't mean that it would be sound for the organization to use it for this emergency. Most organizations are trying to be viable for the long haul and think multi-year. Depleting any seeming reserves in the current fiscal cycle for an emergency could mean that we would run out of funds 18 months down the line. You can't tell that from a simple budget document and some funds may be earmarked as part of grant matches, etc."

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.

**Feedback:** "See above comments. Any use of current or future allocations would pit the neighborhood's long-term viability against their current emergency needs. Especially a real emergency, or situation that is totally out-side the community's control and outside a community's ability to plan. This would be totally unfair. If we are applying for emergency funds, it would be for clear need for costs above and beyond what our organization should be expected to cover, not asking for an

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.

**Feedback:** "We would recommend deleting that ["The decision of the NCR Director is final"] and including the following... "The decision of the NCR Director will be provided within 10 working days and may be appealed to the City Council." The process for neighborhood items has given the neighborhood the right to appeal to the council and if finding that unsatisfactory, the option to seek legal redress. We believe that the Neighborhood Relief Fund should follow the normal process."

**Feedback:** "I support this project but wouldn't mind a way for neighborhoods to appeal a denial of the usage of these funds."

**Feedback:** "I like the thought of separate contract with separate budgets, keeps things really clear."

**Feedback:** "Receiving funds from the NRF purely on the approval [of] the Director places too much power in the hands of the of one person . The NCR directorship is a political appointment, therefore a committee made up of the NCR director, the neighborhood specialist for the applicant neighborhood, the chair of the NCEC and the NCEC commissioner for the district in which the neighborhood lies should make the decision."

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.

**Feedback:** *I support the proposal of an emergency access for neighborhoods. This proposal seems to be heavy on "if there is a legal need". One question is how much are neighborhoods deductibles? Could the city potentially keep this money set aside for neighborhoods. Meaning, slowly create a legal fund?*

**Feedback:** *As a neighborhood faced with a lawsuit that cost more than \$30,000 before being thrown out of court, it is imperative that neighborhoods that receive only about twice that amount yearly do not get destroyed by frivolous lawsuits. The list of problems besetting neighborhoods is well thought out, but I'm a bit nervous about those in which malfeasance of board members is clear. I think that there has to be more upfront review of financial issues so this doesn't cover up nefarious behavior. We can become victimized, however, but I think in situations in which financial monitoring and tracking is not undertaken, should not be covered.*

**Feedback:** *When a neighborhood association receives funds from the NRF because of financial mismanagement there should be some assurances that the root cause of the problem has been addressed and remedies are being put in place to assure that this does not happen again . With that in mind there should be limits to the number of times/ and amounts that a neighborhood can receive from the NRF for financial mismanagement which is something that a neighborhood should be able to control*

Staff and consultant expenses.  
Replacement costs or temporary office space.

**Feedback:** *Under the heading Eligible Expense, we would recommend adding "or temporary storage space" to the phrase... "Replacement costs or temporary office space." Many neighborhoods might opt to have their staff work from home during a crisis, but need to store office furniture etc... until things are settled.*

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.

**Feedback:** "Language should clearly include: communication tools (e.g. newsletters), supplies, etc. Maybe a bullet related to methods of communications and outreach? Also, what about issues that may take months or years to resolve. How long out can we plan a budget for? Can we ask for a second round of funds if needed? Again, thinking about Como. We know that the focused communications needed will include future public meetings, other special mailings, consulting, etc. We have just seen the first timeline from the PCA which is even pushing out their public process for input into the 'new' response plan well into 2015. Any remediation will take years. I am not believing that we would need help for the whole number of years, but we have immediate needs for the current cycle and will probably have to reassess our cost needs depending on how the PCA proceeds going into 2015. A lot is out of our control. Would we be able to do a second request?"

**Feedback:**

- *I think this is a GREAT idea!!! Thank you so much for doing this!*
- *My only comment, and I am not sure if this needs to go into the policy, but notification of future boards and staff members of past decisions/agreements with the City. When I got to PPNA, no one was left to tell me much of anything. I am sure this happens often to new staff and/or board members. Until you told me about the bridge funds, I had no clue. It would be great if the NCR Department took on the responsibility of telling new staff and/or board chairs of pending agreements with the City so they are aware if they need to pay back something, etc. These orgs and staff are so small, that when change occurs, so much institutional knowledge leaves too.*
- *I support the proposal of an emergency access for neighborhoods. This proposal seems to be heavy on "if there is a legal need". One question is how much are neighborhoods deductibles? Could the city potentially keep this money set aside for neighborhoods. Meaning, slowly create a legal fund?*
- *Also, is it public knowledge if a neighborhood uses these funds? How transparent is ncr for situations that feel it's usage.*
- *Feedback from the CIDNA NRP Committee: would like to more information on the definition of types of emergencies; \* when will funding be available? Is it retroactive?*