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# Festivals and Community-building Events

A Guide for Minneapolis Neighborhood Organizations

Prepared by the  
Neighborhood and Community Relations Department  
City of Minneapolis

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*Questions? Contact Robert Thompson at (612) 673-2523*

## Why This Is Important:

Festivals, fundraising events, and other community-building events are an integral way for neighborhood organizations to build neighborhood identity, celebrate the neighborhood, raise funds and build awareness of and participation in the neighborhood organization. Even though these are important activities, past legal opinions have clearly stated that Neighborhood Revitalization Program (NRP) and Community Participation Program (CPP) funds cannot be used to support community festivals and public performances. However, these same legal opinions have also identified certain circumstances in which NRP or CPP funds can be used to fund some or all of other kinds of community events your neighborhood organization may host or participate in. The purpose of this reference guide is to help neighborhood organizations better identify when expenses may or may not be eligible for reimbursement through their CPP or NRP contracts.

## Festivals:

A **festival**, for the purposes of this guide, may be defined as any event organized primarily for the purpose of entertainment or celebrating some unique aspect of the community, and includes one or more activities such as performances, entertainment, sports events, child activities and vendor tables.

As a general rule, expenses related to festivals and public performances are not an eligible use of CPP or NRP funds. This is true whether it is a festival organized by the neighborhood organization itself or some other organization. However, NRP and CPP funds may be used for those festival expenses that are directly related to promoting and communicating NRP and CPP activities in your neighborhood and to promoting participation in your organization.

Typical eligible expenses include costs associated with:

- **Tabling:** Tabling at an event should include actively meeting with participants to inform them about the organization’s NRP and CPP related activities, to promote involvement in the organization, or to gather information (for example, through surveys) for planning and organizing purposes.
- **Communications:** Printing/copying, postage and advertising costs directly related to the neighborhood organization’s participation in the event.
- **Promotion of Programs:** Promotion of NRP programs, such as the availability of home fix-up loans, business loans or other programs and activities identified in a Neighborhood Plan.
- **Encouraging Involvement:** Promotion of opportunities to be involved in the neighborhood organization (join the board, involvement in a committee, upcoming community meetings, etc.).
- **Surveys:** Conducting surveys and counts to inform neighborhood and City planning.

Typical ineligible expenses include:

- Food and beverages.
- Entertainment (musicians, performances, pony rides, face painters, bouncy houses, etc.).
- General costs of the festival that are not directly related to the eligible activities noted above (for example, your booth/table/canopy costs would be an eligible expense if used for the purposes defined as allowable, but not booth/table/canopy expenses for a larger portion of or the entire event).
- Sponsorship costs (to have your name listed as a sponsor of the festival, if this is the organization’s primary involvement in the event).
- Door prizes (for example, gift cards or other incentives for attendance).

### Fundraising Events:

**Fundraising events** may include events that in many ways are very similar to festivals, with the primary purpose of the event focused on raising funds for the neighborhood organization.

Many neighborhood organizations host fundraising events (such as silent auctions, wine-tastings, cook-offs, etc.) to raise additional funds. The CPP guidelines allow fundraising expenses, as long as they are administrative expenses (printing, postage, professional services, etc.) and the activity for which funds are being raised is an eligible activity identified in a neighborhood plan.

Typical eligible and ineligible fundraising expenses are similar to those identified for community events and are detailed below.

## Community Events:

**Community events** may include specific meetings and forums for the purpose of informing and educating the community about important projects or issues such as housing development, safety or energy efficiency.

Generally, these types of events (seminars and informational meetings, such as forums on specific topics, housing fairs, or events such as neighborhood clean sweeps and National Night Out) may be eligible if:

- the event itself is specifically identified in an approved neighborhood plan (a Neighborhood Action Plan or Neighborhood Priority Plan); or
- the event is specifically organized for promoting, planning for, or implementing a strategy or priority identified in an approved neighborhood plan; or
- the event is specifically identified in your CPP submission and the event's purpose is to increase neighborhood awareness and involvement in the organization's planning and implementation efforts under the CPP and NRP programs; or
- the event provides a forum through which strategies and activities in an approved neighborhood plan can be promoted and communicated to all populations and interests in the neighborhood.

For example, suppose your NRP Action Plan includes a strategy that includes educating residents about sustainable practices. A forum on composting therefore would be an eligible community event, and the expenses related to this forum (with some exceptions) would be eligible.

Typical eligible expenses for these kinds of events might include:

- Promotion and notification (e.g., advertising in local paper, promoting in newsletters, online, etc.)
- Staff time related to event.
- Cost of professional services related to the event (e.g., speakers, bookkeepers, facilitators, child care, etc.).
- Printing and distribution of agendas, minutes, reports, and other materials related to the purpose of the meeting.
- Rent and equipment costs.
- Costs of security related to the event.

Typical ineligible expenses:

- Food and beverages.
- Entertainment.
- Door prizes.

## Budgeting for Event Costs

To the extent that events have the purpose of increasing neighborhood awareness and involvement in the organization's planning and implementation efforts under the CPP and NRP programs – as discussed above – eligible costs associated with those events can be budgeted under various appropriate line items in your CPP or NRP budgets. This would include items such as staff, professional services, communications/outreach, supplies and materials, and meetings/community-building events.

Organizations should be aware that past NRP legal opinions have cautioned that such event-related costs should be nominal. In an effort to define nominal, we have used a standard of no more than 10% of your total annual CPP allocation should be used for such events. Consult with your NCR Neighborhood Support Specialist if you have questions or in cases of extraordinary circumstances.

## Frequently Asked Questions

**Question:** Are refreshments of any sort ever eligible expenses? For example, if the neighborhood organization is sponsoring an event in the park on a very hot day, would water be eligible as a safety-related expense?

**Answer:** No. Refreshments, including beverages or water are not an eligible expense.

**Question:** What about expenses that are “related” to food, such as plates, cups, etc.?

**Answer:** Expenses related to food (plates, cups, etc.) have, in the past, been considered to be supplies and, therefore, have been deemed an eligible use of NRP and CPP funds.

**Question:** What about expenses that are “related” to alcohol, such as a bartender, liquor permit and security?

**Answer:** The cost of items directly related to serving alcohol would be considered ineligible activities. These would be considered entertainment-related expenditures and, therefore, would not be an eligible use of NRP or CPP funds.

**Question:** It sounds like most expenses related to our neighborhood festival are ineligible, except in limited circumstances. Is this correct?

**Answer:** In short, yes. Generally, you should assume that the overall expenses of a festival or celebration are not eligible. However, some activities within that event may be eligible, such as those that are directly related to your organization's participation in that event.

**Question:** What about other kinds of expenses that may be related to festivals and events?

**Answer:** Some examples, along with considerations for whether they may be eligible, include:

- **Speakers:** Speaker fees may be eligible at either festivals or events if the presentation is specifically related to a program identified in an approved neighborhood plan.
- **Door prizes:** Door prizes are never an eligible expense. However, some neighborhood organizations have received door prizes as donations from local businesses or others.
- **Entertainment:** As noted above, entertainment costs are never eligible. This includes activities such as pony rides and musicians.
- **Rental, permits and fees:** These expenses may be eligible if the event is solely organized for the purpose of promoting one or more activities or programs identified in a city-approved neighborhood plan.
- **Food:** As noted above, food is never an eligible expense.
- **Childcare:** Childcare at the event can be an eligible expense. However, check with your insurance agent to make sure the activity is covered by your general liability insurance. Also, some neighborhood organizations have been warned by the State of Minnesota that child care workers may be considered employees of the organization. (Please note: NRP and CPP funds cannot be used to reimburse participants for childcare in their home while they attend events; however, childcare can be provided, and paid for, at the event.)
- **Event organizers:** Event organizers may be an eligible expense if the event or activity is identified in an approved neighborhood plan, or is related to planning for or implementation of an approved neighborhood plan.
- **Promotion:** Promotional expenses (printing and copying, postage and delivery, flyering, etc.) may be eligible if the purpose of the event is to promote planning for, implementation of, or involvement in activities identified or related to an approved neighborhood plan.
- **Clean up:** Expenses related to clean up may be eligible if the purpose of the event is to promote planning for, implementation of, or involvement in activities identified or related to an approved neighborhood plan.
- **Equipment rental:** Equipment, such as tents, chairs, tables, portable bathrooms, may be eligible if the event is directly related to planning for, promotion of, or implementation of an approved neighborhood plan.

**Question:** What does the City have against events? Why does the City make it so difficult?

**Answer:** Events are a great way to engage residents in the work of neighborhood organizations. Unfortunately, the source of funds for NRP and CPP (tax increment funds) is not always a good fit for this work.

**Question:** If events are so great, how do we pay for the costs that aren't eligible?

**Answer:** Neighborhood groups will have to rely on donated goods, services and money (including funds raised at the event itself) to hold these events or to pay for those activities that are not an eligible use of City funds. Many neighborhood organizations seek grants or host fundraising activities to raise discretionary funds that can be used for such events.

**Question:** Weren't we able to pay for all of these activities (even those that you list as ineligible) in the first year of the Community Participation Program?

**Answer:** The eligibility (or lack thereof) of these activities is determined by State Law. Originally, we thought that the new funds for the Community Participation Program (Consolidated Redevelopment Tax Increment Financing District [CTIF] revenues) would have greater flexibility for food and fun than did the NRP funds. This was the direction that we gave to neighborhoods in 2011. However, we were later informed that the laws (rules) for both sources of funding were the same. Therefore, all of the prohibitions that pertained to the use of NRP funds (food and fun) extend also to the new CTIF funds.

**Question:** You say eligible activities are determined by State Law. Can the City change these rules?

**Answer:** No. NRP and CPP funds are generated by downtown tax-increment districts regulated by the Tax Increment Financing Act. This Act restricts the use of those funds to "bricks and mortar" types of developments. The State NRP Law allows additional activities, but these activities are still restricted to very specific purposes. Since the Legislature did not define the phrase "neighborhood revitalization purposes," the City Attorney's Office has opined that the intent of the Legislature was to create a funding mechanism for continuation, in some form, the 20-year Neighborhood Revitalization Program. As a consequence, and in order to allow for activities other than "bricks and mortar" developments, the NRP law also applies to funding for the Community Participation Program. Eligible NRP activities include traditional acquisition, construction and rehabilitation type of activities, social and educational services, crime and safety initiatives, and neighborhood organization and planning activities.

**Question:** If we make NRP or CPP funds available to another organization for an event, can they use the funds for food or entertainment?

**Answer:** No. Food and entertainment are an ineligible use of these funds regardless of the organization implementing the activity. The one exception to this is if these are legitimate costs of a certified social service or educational program. Such a program would have to be certified by the County or the School Board that it meets acceptable standards for such programs and that the vendor is an appropriate and legitimate provider for such a program.

**Question:** Is there any “reasonableness test” to determine whether an expense is eligible?

**Answer:** Yes. Expenses paid for a neighborhood group to participate in an event should be “reasonable.” In determining whether the projected expense is at an appropriate level, neighborhood organizations should consider whether the expense provides a “reasonable” means to directly promote and communicate NRP and CPP activities in your neighborhood and to promote participation in your organization. Consult with your assigned NCR Neighborhood Support Specialist, in advance, to verify that you are applying a “reasonableness test” appropriate for your City funding.

For example, spending \$2,000 to sponsor an event at which your primary purpose is staffing an information table is not a reasonable use of City funds, especially if the event’s scope is larger than the neighborhood and the sponsorship level is designed to support overall event expenses or generate revenue for another organization. One test of reasonableness would be to compare the cost of a table at the event to the cost of tabling at similar events, or the costs for other vendors. However, spending \$2,000 to sponsor a speakers series focused on topics such as housing rehab, energy conservation, development review, etc. may be reasonable if the topics are directly related to strategies and priorities in your neighborhood plans and the costs include items such as speakers’ fees, space and equipment rental, printing and mailing, etc.