

Staff Report

Agenda Item:

Title: Report on NRP Fund Balance Guidelines

Action Discussion Informational

Date: September 15, 2015

Prepared By: Robert Thompson

Attachments: Draft NRP Plan Review Guidelines (Clean); Draft NRP Plan Review Guidelines (Redline); NRP Plan Review Draft (with comments); Summary of Findings August 11, 2015.

Requested Action

Discussion and comment on draft guidelines for Review of NRP funds.

If approved, this policy will require that (1) NCR conduct a review of each neighborhood's NRP plans at the seven year anniversary of approval of the Phase II NRP Plan; (2) Neighborhood organizations that have not contracted or expended at certain thresholds will be required to develop a plan for reaching thresholds within one year, or to conduct a community review process within 18 months; and (3) establishes a process for recapturing NRP funds when neighborhood organizations have not met thresholds or developed a plan for doing so.

The policy will also require neighborhoods that do not currently have a Phase II plan to complete Phase II plan development by December 31, 2016.

Background

On November 17, 2014, the Health, Environment and Community Engagement 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."

NCR Staff reviewed past reports and analysis, such as the recent Neighborhood Board Diversity Survey, to develop initial guidelines. Based on this analysis, NCR staff developed an online survey, and requested neighborhood organizations share the link and encourage board members and others to participate in the survey.

NCR staff developed draft guidelines, and distributed to all neighborhood organizations via email, regular mail, and on the NCR website for a 45-day review and comment period. Deadline for comments

For reasonable accommodations or alternative formats please contact the Neighborhood and Community Relations Department at 612-673-3737. People who are deaf or hard of hearing can use a relay service to call 311 at 612-673-3000. TTY users call 612-673-2157 or 612-673-2626.

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was Friday, June 26, 2015. NCR staff reviewed comments from both the online survey and from the 45-day review and comment period.

Discussion

The attached Summary of Findings summarizes the comments, and includes a

- Most respondents replied favorably to a review process at seven years. Some indicated a preference for a shorter or longer period of time, or for no time requirement at all.
- Many responses noted that there was never any expectation or requirements that NRP funds should be used within seven, or even ten, years.
- Many respondents expressed concern about the City recapturing program income.
- Some respondents noted that each neighborhood faces unique circumstances, and NCR should be mindful of those differences when conducting reviews.
- Some respondents expressed opposition to a review at seven years, but this response regularly seemed tied to the belief that NRP funds had to be used within seven years, or would be taken back by the City. The policy does not require that NRP funds are automatically taken from the City if funds are not used within seven years.
- Most respondents expressed support for waivers for circumstances outside of a neighborhood organization's control.

Additional Analysis

Respondents' statements that there were no original time limits placed on use of NRP funds is correct. The proposed policy will not require that NRP funds be used within a certain period of time, but it will establish a review process for each plan.

In fact, the NRP Policy Board took steps to slow the rate of Phase II NRP expenditures in response to projections showing that almost 50% of revenues needed to capitalize NRP Phase II plans would not be received until after the end of the program. A review of actual NRP capitalization by year shows that, in fact, the majority of NRP Phase II funds were not received until 2009 (see chart, below).

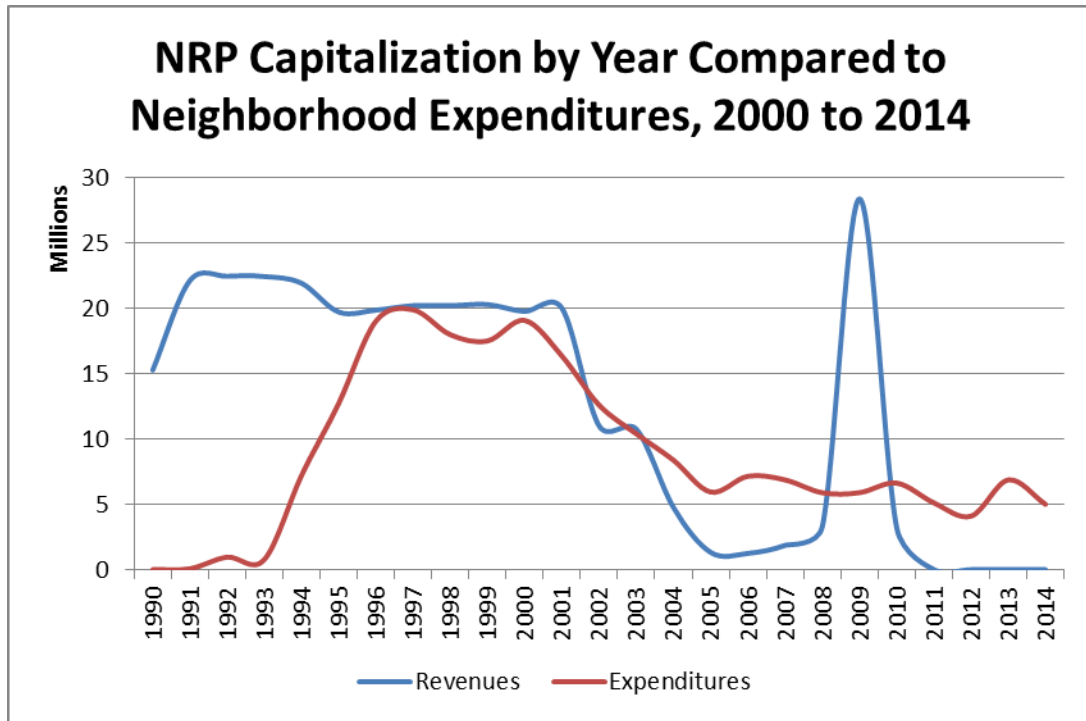
Neighborhood organizations generated more than \$24 million of program income in Phase I of NRP. In response to the restrictions on expenditures imposed by the NRP Policy Board, many neighborhood organizations chose to reallocate Phase I Program Income to strategies in their Phase II plans, rather than delay or slow down their planned activities. So, while NRP plan expenditures slowed down during Phase II, neighborhood expenditures still significantly exceeded revenues during most years.

In 2013, program income significantly spiked due to a 2012 finding by the Office of the State Auditor that resulted in the City recalling NRP funds being held by NRP housing vendors.

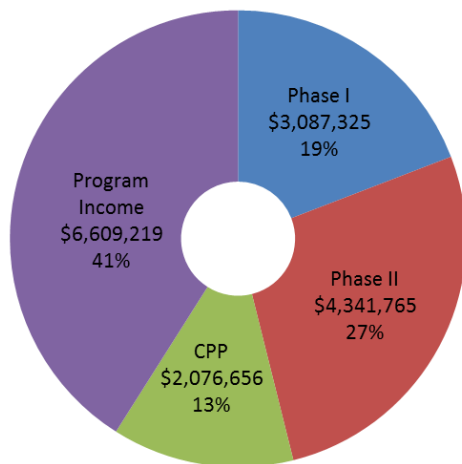
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Overall, the analysis together shows that neighborhood organizations themselves were not largely at fault for the current fund balance, and in fact many neighborhood organizations took actions to continue levels of NRP funding (e.g. reallocating program income) when actions by the NRP Policy Board and City were designed to slow down spending (in response to revenue projections and OSA findings).

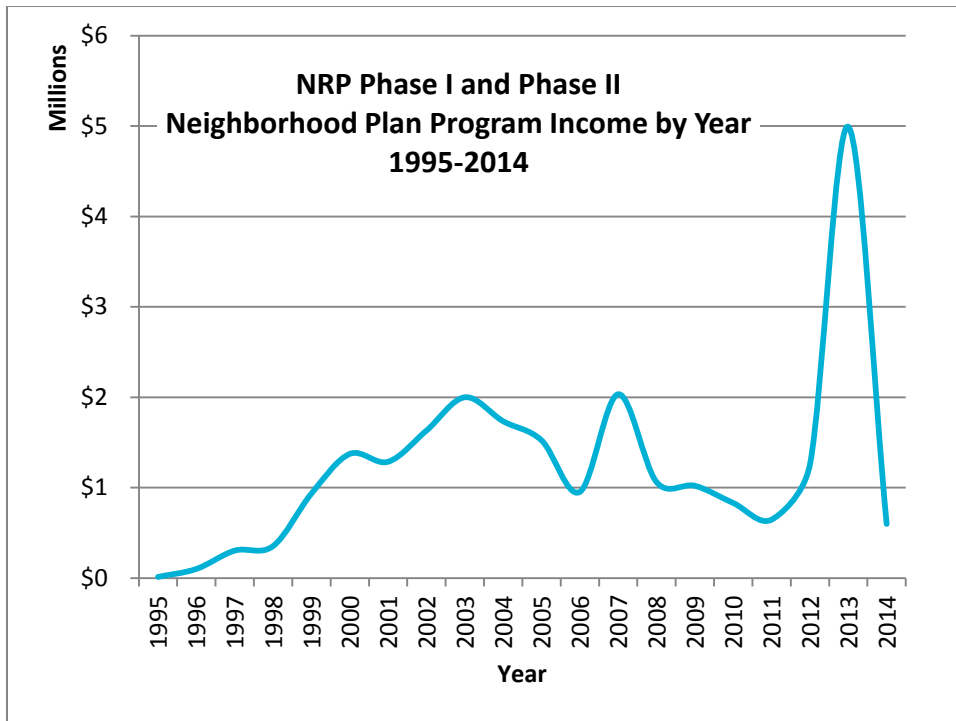


**Program Income represented
41% of Uncontracted NRP
funds in 2014.**



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