TOPIC description: District Council Reform

A. Executive Summary

While open to further conversations regarding study scope, the Department of Planning and Economic Development (PED) expressed hesitation undergoing any audit in 2026 or the first half of 2027, as management is in the process of reevaluating its own plans, policies, and procedures. Likewise, concerns of excessive resource demand on staff were flagged as being potentially problematic. Nevertheless, interviewers and PED both agreed an audit of the district council system is worthwhile. Discussion thus ensued. Regranting from the Community Development Block Grant Program has ended in response to evolving federal priorities, driving conversation over new city funding sources. Funding models are therefore something to consider. Casting an ever wider net, so too is the basic level of service expected under contract and how district councils implement the community engagement function. PED leadership asked a range of questions drawing from these three themes, which ultimately inform this study's proposed scope of work.

The interview panel for this topic consisted of Councilmember Rebecca Noecker, Community Advisor Noah McVay, and Committee Staffer Nhia Vang. The scope of work was prepared by Mr. McVay in consultation with Ms. Vang.

B. Scope

Evaluate the corporate governance, financial management, and core community engagement activities of Saint Paul's 17 district councils and, in so doing, recommend best practices which contribute to operational efficiency, equity in service delivery, and compliance with city contracts. The entities subject to audit are PED and Saint Paul's 17 district councils, which are all vendors of the foregoing city department. The resulting engagement will attempt to address the following research questions:

Corporate governance

1. Are district councils and their committees operating in compliance with their annual city contracts and relevant state statutes governing Minnesota nonprofit corporations?
2. How effectively do district councils mitigate conflicts of interest and ensure board meetings are conducted transparently in line with City Council proceedings, and are the bylaws regulating these matters of ethics accessible to the public?
3. Are current board elections and appointment processes compliant with the city's District Council Guidelines?
4. To what extent do current board election processes and other governance structures yield representation that reflects the diverse demographics across Saint Paul's neighborhoods?

5. Do board members have standardized onboarding and operational manuals to ensure consistent leadership and reduce administrative vulnerabilities?
6. How do variations in staffing levels (e.g., one vs. two full-time employees) across different districts impact their ability to perform daily operations and host public forums?
7. To what degree is the relationship between city departments and the district councils streamlined, and where do bottlenecks in communication or administrative support occur?
8. Are administrative support services provided by PED and other city departments to district councils adequate?
9. What role does PED currently play in monitoring district council compliance, and how can this oversight be strengthened without compromising grassroots autonomy?

Financial management

1. What mechanisms does PED use to monitor district council finances, and how effectively do they assess compliance against the scope of work?
2. Are the funding formulas and allocation mechanisms used by the city to financially support the 17 district councils transparent, consistent, and reflective of varying neighborhood demographics and needs?
3. Are funds awarded to district councils administered with adequate internal controls (e.g., proper segregation of duties) to contain financial risk?
4. Do councils have procurement policies and expense tracking systems in place to deter and reasonably prevent waste, fraud, and abuse of public funds?
5. How much of each district council’s funding is utilized for direct community programming versus administrative overhead?
6. How does administrative overhead compare across districts, and what opportunities exist to share resources or centralize routine tasks to boost operational efficiency?
7. Are current administrative and financial operations optimized to minimize overhead, and do they align with established state statutes and city ordinances?
8. What are the staff-to-resident ratios and staff turnover rates at the many district councils?
9. Are all district councils meeting the core requirements stipulated in their annual community engagement service contracts with the city of Saint Paul?
10. How effective and timely are the district councils at submitting their Annual Comprehensive Financial Reports and expense documentation to PED?
11. Are all councils adhering to the city’s vendor and contract compliance rules?

Community engagement

1. To what extent do the councils' engagement strategies effectively reach and represent Saint Paul's diverse populations, including historically underrepresented or marginalized populations (e.g., renters, youth, people of color, LGBTQ+ communities)?

2. What standardized metrics can be implemented to consistently measure the success and community impact of engagement efforts?
3. How effectively do district councils perform their core functions, such as advising city councilmembers and departments on physical, economic, and social development?
4. What practices do district councils utilize to facilitate diversity, equity, and inclusion in the performance of community engagement activities?
5. Are community engagement grant funds and services distributed to district councils equitably, ensuring that residents in lower-income areas or renters - who have historically been harder to reach - have the same access to neighborhood-level advocacy and city resources?
6. How is city funding distributed among the 17 planning districts, and does the allocation method ensure equitable access to community engagement services across neighborhoods?
7. How do resources and outreach efforts differ among district councils, and do these variations create equity gaps in how neighborhood needs are communicated to the City Council?
8. How successful are district councils at facilitating community input on zoning variances, business licenses, and capital improvement projects, and where are the specific bottlenecks in the feedback loop between neighborhoods and City Hall?
9. What metrics do district councils use to evaluate the success and reach of community input, especially as it concerns zoning, capital projects, and business licensing?

Best practices

1. What are the most successful policies and procedures currently utilized by district councils to gather authentic community input on local business licenses, zoning variances, and long-range comprehensive planning?
2. Are there scalable models among the 17 districts that can be adapted citywide to improve operational efficiency and public participation?
3. How can the city establish standardized, actionable policies and procedures that reduce administrative burdens while improving outcomes and strengthening community trust?
4. What standard operating procedures (SOPs) can be recommended to ensure baseline operational efficiency, while still allowing district councils the flexibility to respond to their unique, hyper-local community needs?
5. What specific, measurable Key Performance Indicators (KPIs) should the city adopt for future district council contracts?
6. What shared services, centralized training, or technological resources (e.g., shared bookkeeping, unified CRM tools) can PED provide to improve operational equity and compliance across all planning districts?
7. Would a standardized operational framework, such as uniform budgeting templates or core performance scorecards, strengthen inter-council collaboration and citywide reporting?

8. What scalable, best-practice policies should the city implement to assist financially distressed district councils in improving their outreach capacity and operational efficiency?

C. Cost

This study topic has one of the broadest scopes of the four engagements under consideration this audit cycle, encompassing one city department and 17 vendors. It is expected to take approximately eight to twelve months to complete and generate costs in the range of $20,000 to $30,000.

D. Ability to Effect Change

Several studies and evaluations have been conducted or commissioned to assess the district council system's effectiveness in the years following its creation. These reviews have examined funding formulas, community engagement practices, and the overall performance of neighborhood organizations. Key studies include the Community Engagement System Project, the Ad Hoc Committee on Citizen Participation report, the Wilder Research Study, the Citizen Participation Task Force (CPTF) report, and reports prepared by the League of Women Voters. Recommendations have historically been implemented by City Hall and district councils.

That being said, PED is in transition. A new director was appointed to lead the department recently. Likewise, previous Community Development Block Grant funding has been phased out due to the administrative burdens imposed on district council staff by the federal government's Uniform Guidance indirect costing requirements. New state and federal granting sources are currently being explored in lieu of CDBG to finance contracted community engagement activities. For these reasons, PED leadership and district council program managers are supportive of a performance audit, but suggest the engagement not begin until at least the later half of 2027. Should the Audit Committee ultimately pursue an audit of the district council system, PED stands ready to assist with scoping, fully participate in the audit engagement, and to implement our findings.

E. Key Challenges

Saint Paul's district council system was established in 1975. Fifty years later, the 17 district councils face challenges balancing neighborhood-level advocacy with citywide needs. Key struggles include securing adequate funding amid shifting civic priorities, maintaining broad resident participation, and addressing deep disparities in wealth and infrastructure across different districts. Those challenges are discussed in greater detail below:

Resource and funding constraints
Shrinking federal and state support - compounded by the city's recent efforts to manage a record-setting $26 million budget deficit - has restricted the operational capacity of district

councils. Many rely on city-funded contracts, making them vulnerable to broader City Hall budget cuts.

Equitable representation
Balancing the needs of highly organized, affluent neighborhoods against underrepresented communities remains a central issue. Historically, wealth and demographic disparities between districts have impacted how civic resources are shared.

Shifting from proactive to reactive roles
Because of reduced budgets, councils have increasingly evolved into reactive bodies responding to developer proposals and licensing applications rather than leading proactive community-building or long-range projects.

Declining civic participation
District councils often struggle to mobilize younger demographics, renters, and marginalized populations, leading to board representation that is unreflective of the broader community. The dominance of vocal, organized interest groups frequently makes consensus difficult.

Development and anti-displacement pressures
District councils must provide feedback on development, land use, and zoning while attempting to protect longtime residents from displacement, particularly in rapidly growing commercial or transit-oriented hubs along the Green Line.

F. Study Approach

To address this scope of work, the performance audit requires a mixed-methods, risk-based approach. Since district councils are independent nonprofits that receive public funding via city contracts, the underlying methodology must blend compliance auditing with program evaluation in order to establish benchmarks for performance measurement. Specific approaches the Audit Committee may take include:

1. Conducting a document and framework review.
    a. Assess current internal controls, bylaws, and financial policies against local, state, and federal laws and regulations, including state and local human rights laws.
    b. Review the annual master contracts between the City and the district councils to establish baseline expectations for deliverables.
2. Assessing financial statements and operations.
    a. Analyze financial data across a representative sample of district councils to evaluate budgeting, expense tracking, and grant management.
    b. Evaluate staffing levels and overhead costs across all 17 councils.
    c. Identify bottlenecks in operational workflows (e.g., procurement, board elections, and staff management).
3. Collecting and analyzing quantitative data on civic participation.

a. Distribute structured multilingual surveys to neighborhood residents to measure awareness, satisfaction, and barriers to participation.
b. Conduct community listening sessions and targeted interviews with board members and staff.
c. Cross-reference and map district council engagement data (e.g., event attendance, committee participation) with U.S. Census block data to measure the equity of service delivery across diverse communities.

4. Establishing benchmarks and best practices.
    a. Compare Saint Paul's district council system with peer cities that utilize decentralized neighborhood engagement models (e.g., Minneapolis, Seattle).
    b. Apply thematic analysis to successful community initiatives across high-performing district councils.
    c. Identify scalable strategies for resident outreach, volunteer recruitment, and conflict resolution.
    d. Draft a tailored framework of best practices covering governance, financial controls, and community engagement, including scalable strategies for resident outreach, volunteer recruitment, and conflict resolution.

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