CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Contribution to Historic Valley Junction Foundation **DATE:** May 4, 2020

FINANCIAL IMPACT: $25,000 of the recommended contribution (total $53,000) was previously budgeted for repairs and maintenance in Valley Junction (Hotel/Motel Tax) and the remaining $28,000 was the balance of funds remaining in the most recent round of Property Improvement / Regulatory Compliance funding (General Fund). There is no overall increase in spending as a result of these reallocations.

BACKGROUND: On March 2, the City Council awarded funding for 15 outside organizations for the upcoming 2021 fiscal year. The discretionary contributions are awarded through a policy and process established by the Council. As part of the process, the Historic Valley Junction Foundation will receive $150,000, with $100,000 is intended to support operating expenses and $50,000 is for next phase of the Light Valley Junction project.

Due to the recent closures of public areas and events associated with Covid 19, the Historic Valley Junction Foundation (HVJF) is anticipating major disruptions to operations and is projecting ultimately cash flow failure. Staff had several discussions with HJVF staff and board members to review finances and agreed with their projections. HVJF relies on event programming for over 60% its $450,000 annual gross revenue. Music in the Junction and several other mass-gathering events are on indefinite hold.

Revenue from these events includes concessions (food and alcohol), merchandise sales, sponsorships, and vendor registration fees with $125,000 in gross revenue collected during the second quarter. Net Loss from event cancellations estimated $30,00-$50,000 for 2nd Quarter 2020, with the higher end number assuming all events are canceled through June 30 and the lower canceling through May 31. Obviously, losses would be much higher if all events canceled/reduced for the balance of 2020.

HVJF also relies on contributions from district-based business. The organization's annual fundraising goal is $35,000 and significant challenges are expected because district merchants are experiencing 60 to 100% revenue declines during mandated shutdowns. Net Loss Estimated $10,000-$15,000 for 2020.

Their board and staff have taken several cost-cutting steps already, including pay reductions for staff. HVJF has been approved for a $26,500 federal Paycheck Protection Program loan to provide some cash flow relief needed in order to meet payroll obligations in the short term. Other expense-cutting steps include a reduction in the frequency of neighborhood trash collection, reducing district advertising, vacating warehouse space, and sending additional fundraising appeal letters to our community and supporters.

The organization's current cash balance is less than $20,000 and HVJF has access to a Line of Credit at West Bank which could provide additional short-term cash of $17,500.

In summary, without normal operating revenue HVJF does not have cash reserves to sustain operations through and beyond June 30. It is being proposed with this item that additional city

funds be allocated to HVJF totaling $53,000. This immediate relief should provide enough support to sustain the organization through 2020 until such time that operations can hopefully return to normal levels. The Council Finance Committee recommended approval of the funding at their meeting on April 22, 2020.

OUTSTANDING ISSUES: None

RECOMMENDATION: Motion approving the allocation of $53,000 of funding to the Historical Valley Junction Foundation.

Lead Staff Member: **Tim Stiles, Finance Director**

STAFF REVIEWS

Department Director	Tim Stiles, Finance Director TS
Appropriations/Finance	
Legal	
Agenda Acceptance	

PUBLICATION(S) (if applicable)

Published In	n/a
Dates(s) Published	n/a

SUBCOMMITTEE REVIEW (if applicable)

Committee	Finance & Administration		
Dates Reviewed	April 22, 2020		
Recommendation	Yes	No	Split