Funding Main Street Organizations

IN A NUTSHELL

WASHINGTON STATE MAIN STREET PROGRAM

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Introduction

A successful downtown revitalization effort must have the financial resources necessary to carry out its work and sustain its operations. Fundraising can also be an invitation to the community to take pride and invest in the downtown district. This guide will cover who is responsible for funding, what the common sources of funding for downtown revitalization efforts are, how budgets and funding coincide with organizational growth, and tips and tricks from funding experts.

Additional Resources

Anytime you see this icon, it means that there is a sample document or additional resources available in our online resource library at preservewa.org/main-street-resources

Board's Responsibility in Fundraising

Main Street organizations are most commonly nonprofits. In any nonprofit organization, the board is responsible for a well-funded organization and must take an active role in budget setting and fundraising. Even after raising funds to hire staff, boards continue to hold responsibility for financial management of the organizations they steward, including:

- Developing an annual budget for the organization
- Approving and monitoring the finances of the organization
- Raising sufficient funds to ensure that the organization can carry out mission-aligned work

Budgets should be driven by your annual work plan, generally developed in the fall in order to approve work plans and an annual budget in time for the start of the new year. Once a budget is set, boards can then evaluate what gaps exist between the anticipated costs outlined in the budget and available funds. This informs your organization's fundraising goals, which the board can help to meet in partnership with staff and committees.

Every Board Member Should Contribute in a Meaningful Way

While fundraising can feel intimidating, it's important to remember that it's all about relationships. As board members learn how they can support fund development, they should be able to see where they fit into fundraising efforts, develop skills (like making the dreaded "cold call"), and dispel some myths. There are three levels of fundraising involvement:

Laying the Foundation

- Understand the organization's mission/vision
- Review existing fundraising plans
- Become an ambassador for the organization
- Practice speaking out positively in public and private
- Give your own gift

Friendraising

- Identify and write impactful stories and testimonies to use in solicitations, newsletters, and social media
- Look up potential corporate donors, foundations, and government grants
- Call new donors to thank them
- Host a cultivation event at home or downtown

Solicitation

- Sign solicitation letters with a personal message to people you know
- Ask for sponsorships from businesses you know
- Seek in-kind donations from businesses you know
- Call people to become investors or renew their investor gifts

Two Distinct Kinds of Funds

Within your overall budget there are two distinct kinds of funds that a board will need to raise:

Operating Funds are those used to build the capacity of and manage a comprehensive revitalization effort. Examples include necessary insurances, staff salary and benefits, office rent and utilities, websites and marketing, trainings and travel, consultants, and data analysis.

Project Funds are those necessary to carry out the projects and programs that achieve tangible results related to the mission and normally outlined in an annual work plan. Examples include project materials like flower baskets or a venue for a business networking event, marketing materials like print flyers, and even capital campaigns for big projects like a historic building restoration.

Building a Diverse Funding Plan

Why Have Diverse Revenue Streams?

- To prevent over-reliance on a single revenue source (we recommend no one source be over 50% of your overall budget).
- To cushion the organization against unforeseen circumstances and allow mistakes to be made without dire consequences.
- To encourage widespread community support and investment.
- To naturally support different types of funds and projects (e.g., investor campaigns can raise general funds used for operating costs, while a grant program may specifically cover the costs of a new project or program).

What Are Typical Sources of Revenue?

As you develop your fundraising plan, we recommend starting with the three sources of revenue you can always control:

Investors are those donors giving to your organization's core cause because they believe your work is important. Investors* often include downtown stakeholders (such as business and property owners), regional major employers, and residents throughout the community. A first step in building an investor campaign is to craft a solicitation letter using your organization's mission and vision, current year work goals, and a story and statistic that shows your impact from the previous year.

Sponsors contribute to your organization to cover costs associated with various projects and programs in exchange for specific benefits to promote their positive reputation in the community. Sponsors are often interested in marketing, merchandizing, and prominent activities like cutting a ribbon at a new downtown plaza or presenting the awards at a car show. A first step is considering what you can offer to a sponsor without adding more work to your existing project or program. If you're only beginning to solicit sponsors for an event or project you may do it at different times in the year, but as your Main Street programs grow and become recurring, you can develop a sponsor prospectus to take out for all your planned projects and events at the start of the year.

Fundraising Events are different from special events like holidays, cultural festivals, or even downtown concerts—events that may earn income, but are primarily put on to build a sense of community or bring customers downtown. For fundraising events specifically, you should aim to make at least 100% more than what it costs (e.g., if an event costs $5,000 to produce, aim to raise $10,000 and put $5,000 into your general fund). Many fundraising events can have costs covered by event sponsors. If you find it challenging to get "sponsors" for a smaller ticketed fundraising event like a gala dinner, you might aim to identify a large donor who will match other contributions made during the event.

**Note: We encourage boards to think about developing "Investor" or "Partner" programs over "Membership" programs to keep donors' focus on making a charitable contribution because they believe in your mission rather than focusing on what they'll get in return for a membership.*

How Does Funding Grow?

Budgets start small and grow incrementally. Operational budget growth is a function of board relationships, talent, and persistence in alignment with work planning. At first your fundraising will focus on a single year's work but as your planning becomes more long-term and strategic likewise your fundraising should. Just as your organization will mature — in Main Street we categorize revitalization efforts as being in the Catalyst Phase, Growth Phase, or Management Phase — your mix of funding needs and revenue sources will change over time.

Catalyst Phase organizations' fundraising goal is to work toward predictable operating budgets — especially in terms of investor, sponsors, and fundraising events — in preparation for the capacity needed to hire an inaugural executive director as well as expand programs and projects in the Growth Phase.

Growth Phase organizations' fundraising goal is to have a stable core operating budget and work to diversify funding as more projects and programs develop. In the Growth Phase organizations often see an increase in the scale of funding as well, for example to apply for larger grants after successfully navigating the management of a small grant first.

Management Phase organizations need money for both larger operating budgets, including at least an executive director and likely more staff, as well as recurring and new project budgets. By this phase an organization should have a robust, diverse fundraising plan reflecting both public and private sector sources with a 3-6 month reserve. In other words, a Management Phase organization should be able to weather unexpected disruptions in a single revenue stream without entering a funding crisis.

Tip: Build in a budget surplus each year! A Catalyst Phase organization should work toward a month's worth of expenses in a rainy-day fund, while a Growth Phase should work toward three months' worth of expenses and a Management Phase should have 3-6 months of operating costs in reserve.

To prepare to grow your funding at any phase, begin by defining a clear alignment process between your work and the budget. Growth comes from having both the money and the people to support your revitalization effort, and this should be a part of your organization's annual planning as well as strategic planning — your strategic plan should include plans for your budget growth. A fund development strategy that builds a diversified budget is most successful in the long term.

Find a sample fundraising script, solicitation letters, sponsorship prospectus, and more resources at ***preservewa.org/main-street-resources***

Please note: The documents in our online resource library are *samples for reference only* and do not constitute legal advice. Your organization should consult an attorney or seek necessary counsel before adopting legal documents.

What's a Likely or Ideal Revenue Mix for a Main Street Organization?

Building on a foundation of private-public partnership is crucial to developing a strong fundraising plan. Here are a few ways to raise funds across the private and public sectors and examples of how that might translate to your fundraising plan.

Public Sector

- ❑ Contracts for services or grants from public entities like City, County, State, and Federal governments
- ❑ In-kind contributions (e.g., public works, police at events, printing)
- ❑ Grants from public entities like the USDA and HUD
- ❑ Taxes or assessment districts (e.g. Lodging Tax, Business Improvement Areas)

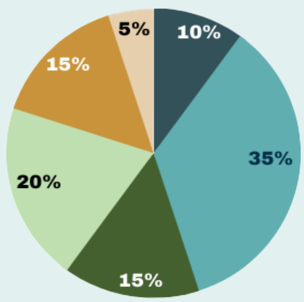
Private Sector

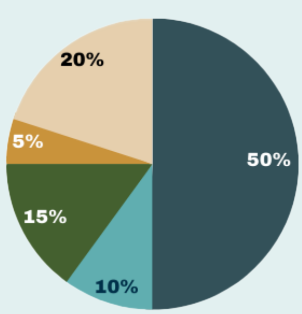
- ❑ Ticket sales, vendor fees, and profits from special events
- ❑ Corporate donations or in-kind gifts
- ❑ Individual donations and year-end gifts*
- ❑ Grants from private entities like community foundations and corporations
- ❑ Rental income from real estate ownership

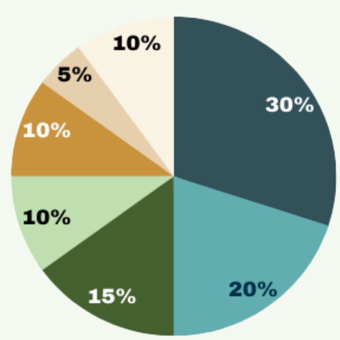
Budget Examples: Below are likely budget breakdowns, but your budget should ultimately reflect your work. Also note these charts account for how your total revenue will grow over time, so like-sized pie wedges in different phases will not represent the same amounts in dollars. Where grants make up 5% of a Catalyst Phase budget as well as a Growth Phase budget that 5% would be $1,000 of an overall $20,000 Catalyst budget but $4,000 of an overall $80,000 Growth budget.

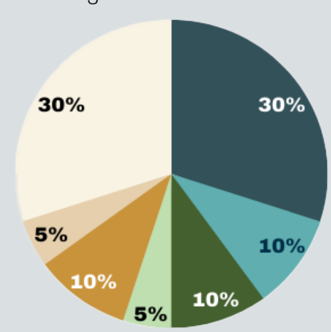
	Catalyst Phase	Growth Phase	Management Phase
Goals	Build predictable operating budget and prepare for Growth Phase	Develop stable operating budget and diversify funding sources	Maintain a robust, diverse fundraising plan
Timeline	**3-5 years**	**5-10 years**	**Ongoing**
Common Inclusions	Investor donations and fundraising events build a general fund (top chart); city and grant funds support work of specific programs (bottom chart).	Private investorship and taxes via business improvement district or City contract for service fees continue to be strong legs of your funding stool but may begin to be supplemented by Main Street Tax Credit Incentive Program donations upon Community designation.	Mature budgets are likely to place a greater emphasis on unrestricted funding sources, including donations through the Main Street Tax Credit Incentive Program, to accommodate additional staff or organizational needs.

Examples









Government** | Special Events
Investors | Grants
Sponsorships | MSTCIP
Fundraising events

According to Network for Good, 40% of all charitable donations happen in December, but note that year-end campaigns should take place at least 6 months after any Investor Campaigns.

***This could be lodging taxes for tourism, business improvement area taxes, or a contract for services.*