

# MAINSTREETNOW

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# LOCAL SUPPORT



## Make Your Case: Triple Your Membership!

BY DONNA ANN HARRIS



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# Make Your Case: Triple your **Membership!**

BY DONNA ANN HARRIS

In October 2007, board members of MainStreet Libertyville, Illinois, a 1997 Great American Main Street Award® winner, realized the organization was on the brink of financial collapse. The month before, their annual fundraiser, Street Dance, was held on a rainy and cold night. “Attendance was down drastically and so was the revenue,” recalls board member Les Galo. The event’s net profits, which had been upwards of \$60,000 in past years, fell precipitously to \$2,000 that year.

Adding to this looming deficit was the swift decline in support from the Village of Libertyville during the previous three years. Since the founding of MainStreet Libertyville (MSL) in 1989, the Village had made annual \$50,000 matching contributions to support the organization’s revitalization work. In 2005, a new mayor and several council members decided to cut their support in half. A further reduction in 2007 reduced the Village contribution to \$10,000. With the losses in these two key revenue sources, year-end projections indicated that the organization would need close to \$60,000 to make it through December. All the Main Street board members were understandably nervous. Without an immediate infusion of cash, the organization would not be able to put on its holiday events and would most likely fold by the end of the year. Pam Hume, then board president, was determined “that MainStreet would not go south on my watch.”





## Libertyville: A Snapshot

Located in the northern suburbs of Chicago, Libertyville is a middle-class bedroom community of 21,843, with a late 19<sup>th</sup> and early 20<sup>th</sup> century downtown that stretches for five blocks along the spine of Milwaukee Avenue, a state highway.

When MainStreet Libertyville was established in 1989, the downtown was tired, with the typical vacant and underutilized buildings familiar to most new Main Street programs. Scott Adams, a long-time board member and former board chair, remembered those early days in a letter to the editor he sent to the local newspaper: “Over the years,” wrote Adams, “there have been many initiatives to revitalize downtown. Only one has worked, and that is the Main Street concept.”

Over the program’s 18 years, more than \$30 million in private dollars has been invested in downtown, due largely to the heavy lifting of MainStreet Libertyville. By October 2007, downtown looked great. There were interesting new mom-and-pop shops alongside long-time merchants. Rents in 1989 were \$8 to \$9 per square foot, with a 30 percent vacancy rate. By 2007, rents averaged around \$90, with a high of \$126 and a vacancy rate of 2 percent.

During its early years, the MSL board stuck to the Main Street Four-Point Approach® with an almost religious fervor. The program created special events and social activities that became highly anticipated community traditions. Each year, MSL volunteers organized 55 days of events that attracted 70,000 people downtown. Noteworthy were the following activities, all eagerly awaited by local residents:

- Farmers’ Market, a much-beloved Thursday morning event during the summer and fall;
- Dickens of a Holiday, a series of shopping and social events held on three Saturdays in December;
- Out to Lunch, a 10-week lunchtime summer concert series held on Fridays;
- Out to Supper with the Village Band, an evening summer concert series;
- Car Fun on 21, a four-week summer Wednesday night event with food vendors, hot rods, vintage cars, and live entertainment; and
- Trick or Treat on Main Street, held at downtown stores that offered treats to kids in costume.



In addition to these events, MSL held one major fund raiser each year, Street Dance, which featured several bands, live and silent auctions, a raffle, program book, and many different sponsors, along with food and beer/wine sales. Throughout the years, MSL board members were proud to point to Street Dance and say to residents – we only come to you once a year to raise funds for our program! But in 2006, the organization made a strategic decision to develop other fund-raising events rather than rely on just one a year; 2006 marked the first year of a new Golf Outing.

As the program reached its 18th year, paid MSL staff included a full-time executive director, a full-time promotion coordinator, and a part-time administrative assistant, along with a roster of 240 volunteers, highly active committees, and a board

of directors that people wanted to join. The approved budget for 2007 was \$205,000; and the organization had a \$100,000 reserve that had been built up over the years through prudent management. Residential membership stood at 439. MSL enjoyed the respect and admiration of its peer revitalization organizations across the state and, by and large, seemed the picture of a healthy, highly successful commercial revitalization organization. So how did this financial crisis happen? (See sidebar “Financial Accountability” on page 11.)

### Village Funding Takes a Nose Dive

Several factors besides the rain-out of the Street Dance contributed to MSL’s financial crisis.



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*Libertyville's much-beloved Thursday morning Farmers' Market (top) celebrates 30 years with a ceremonial watermelon cutting on Opening Day. Another highly anticipated special event is Dickens of a Holiday (above), held on three Saturdays in December.*

A local reporter who broke the story about the organization's financial woes in the *Libertyville Review* in November 2007 wrote: "Some describe MainStreet as a victim of its own success, saying leaders took longtime support from the Village and fund-raising events for granted."

At the start of MainStreet in Libertyville, the Village provided \$50,000 annually from the hotel/motel tax. This sum was cut by half in 2005, cut again to \$15,000 in 2006, and finally in 2007 it was reduced to \$10,000 due to dwindling lodging revenues and sales tax income from auto dealer row (See Sidebar "Village Relationships" on page 12). Despite this clear downward trend in Village funding, the MSL board was unable to plug the increasingly wide hole in their budget with funding from other sources. Instead the board relied on the organization's substantial reserve fund to fill the gap.

"We always feared that the Street Dance would be rained out, but looking back we probably were a little slow to respond to several trends that were beginning to surface," says Rick Pyter, then secretary of the board. "We were also struggling with a very rapid decline in unrestricted corporate contributions. We found that some of our long-term corporate supporters had changed their giving priorities and we no longer fit their profile. We lost several \$10,000 unrestricted donations as a result."

Other budgeting practices might be questioned in retrospect. "Until 2007," says Les Galo, a board member at that time, "a number of promotional events were held at a loss or at best break-even. It was believed that our funding from the Village necessitated that this be done."

Board Treasurer Robert Killackey made it clear during the crisis that the funding

model in use to that point was no longer viable. Killackey insisted that all events generate income or at least break even. "This was not the easiest of transitions," says Galo. "Many event chairs were uncomfortable with the emphasis on money and selling sponsorships for everything."

To respond to the financial crisis, the MSL board took some immediate actions to save cash. They let the promotion coordinator and administrative assistant go, and alerted their landlord that they intended to move to free space offered by a local business person. Randy Nelson, the executive director, was told his last paycheck would be on November 30. He agreed to continue working as a volunteer to see the organization through to the end of the year. (Nelson served as a volunteer for a month, then went back on the payroll in January 2008.)



## Mapping a Campaign Strategy

At an emergency meeting in October 2007, the MSL board realized that the only way it could stave off imminent financial collapse was to ask Village residents for their financial support. It was agreed that an aggressive membership campaign would be the quickest way to raise money because donations could come in immediately.

MSL board members and staff mapped out the start of a broad public relations strategy that emphasized weekly communication through a variety of media to tell their story. The first step was to “go public” with the announcement that the organization was in dire financial straits. Nelson and Executive Committee members met with two local newspaper reporters who regularly wrote about the organization. The first articles appeared in the *Daily Herald* and *Libertyville Review* later that week.

The key message the organization wanted to get across initially was that MainStreet Libertyville was not part of the Village government. “Many residents believed our organization was funded through their taxes,” says Galo. This was absolutely not the case.

MSL also focused on the many popular community events and activities in jeopardy of being cancelled. The public relations campaign emphasized community

pride and spirit, including “the picture perfect downtown” that MSL had worked for two decades to achieve. The organization hammered home the message that these beloved events and family traditions would be lost without MainStreet and its volunteer corps.

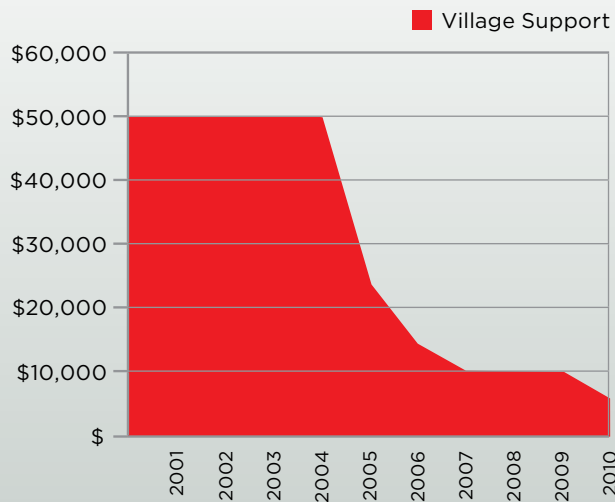
“We also wanted to counter remarks from newspaper articles that our work was done and that we had achieved our mission,” says Nelson. “This was far from the truth, especially since we knew that a

possible train station redevelopment and new downtown residential plans were in the works. As a mature Main Street organization, we were very proud of what our group had accomplished. We had a great looking downtown with almost no vacan-



## Declining Village Funding for MainStreet Libertyville

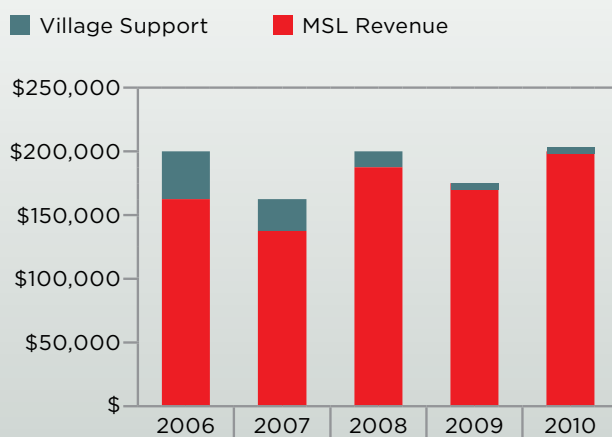
2000-2010



From 2000 to 2010, contributions from the Village of Libertyville fell sharply from \$50,000 a year to \$5,000.

## Village of Libertyville Funding for MainStreet Libertyville

Percentage of Total Revenue 2006-2010



From 2006 to 2010, Village support to MSL declined significantly from 15% to just 3% of the organization's total budget.



Once MainStreet Libertyville's sole fund raiser, Street Dance now brings in \$10,000 to \$15,000 a year instead of \$60,000, but is balanced by other fund-raising events. Vendors (far left), volunteers (top left), and residents (left) enjoy this fun September evening.

© Studio West Photography

cies, but we needed to manage it to make sure it stayed that way. Plus we wanted to keep things buzzing with our 17 volunteer-run events that kept a steady stream of people coming downtown.”

The membership campaign got off to a slow but sure start. Within two weeks of the initial plea, 42 new residential memberships came in, ranging in amount from \$40 to \$100. “We always knew we had a core of support,” said Nelson in an interview with the *Daily Herald*.

With this initial vote of confidence, the MSL board decided to devote an entire issue of its quarterly newsletter, *The Gazette*, to the fund-raising effort. Mailed out in mid-November, it was sent to every business and residential address in Libertyville’s zip code, a total of 12,500 pieces.

In her cover letter, Board President Pam Hume emphasized the community and family traditions and the memories that MainStreet events created for residents. She stressed that the organization’s goal was to continue these events, but warned that “the organization cannot do so without increased financial support from local residents and businesses.”

Meanwhile, Nelson and Rick Pyter further developed their PR strategy. “We wanted to have something happening every week so that residents would hear about our plight through many different channels” says Pyter. Besides the good rapport the organization had with the two local newspapers, MSL used a variety of other communication channels to inform residents about the need for support. These methods included:

- School backpack stuffers sent home with all elementary and junior high school students;
- Bag stuffers used by all downtown merchants;
- An event schedule reprinted with a “How to Join” section;
- Appearances on local talk radio;
- Speeches to public service groups like Rotary, Kiwanis, the Senior Center, homeowners associations; and
- A special MSL e-newsletter stressing the urgency of the need.

Every stuffer and handout was color coded to track the effectiveness of the

wording, and the message was constantly revised based on this testing. “We tried to make the messages consistent and focused on the potential loss of ‘the sizzle’ – the events – with a smaller portion about preservation of the organization,” says Nelson.

### The Green Envelopes

After the first news story hit, Jack Martin, a well-known and sometimes controversial local business owner and activist, walked into the MSL office with an idea to raise money. He wanted to send letters to every taxpayer asking for emergency financial support for MainStreet. A few days later he came back with a letter he had written. The package included some press clippings and a green envelope with MainStreet Libertyville’s address printed on it. The package was sent to Martin’s list of registered voters in the Village. This was done “on his own dime” and was said to cost more than \$6,000. Martin’s letter, dated November 23, 2007, proved to be a highly successful idea and the green envelopes began to pour in by the end of the year.



That same week, a local real estate agency, Century 21 Kreuser & Seiler, placed a full page “Open Letter to All Libertyville Area Residents” in the *Libertyville Review*. “Any Realtor in Libertyville,” said the letter, “can tell you that our fine schools, our beautiful downtown, and the sense of community you feel just passing through our town are what attract prospective homebuyers to Libertyville (and help sustain our home values).”

“For any new, non-business membership, renewal, or donation between November 22 and January 31, 2008,” the letter stated that “Century 21 Kreuser and Seiler [would] make a matching contribution of up to an aggregate on our part of \$10,000.”

An anonymous donor also offered to match up to \$2,500 in a “Residents Matching Fund,” thus permitting new members to essentially triple their donations during the critical weeks before and after the holidays.

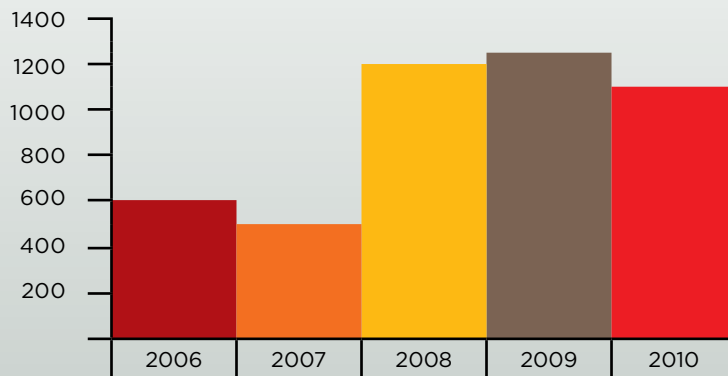
On December 12, 2007, MSL Director Randy Nelson sent the *Daily Herald* a Letter to the Editor bringing everyone up to date. Six weeks into the membership drive, 140 new members had come forward. Nelson’s letter helped counter other rumors that had been swarming. “I am proud to say that MainStreet has proved to be a very astute business investment,” wrote Nelson. “Village government’s \$800,000 over 18 years has produced \$30 million in private-sector investment, a remarkably successful investment by any count.” Nelson also described the board’s effort to cut expenses, and move offices “to make your dollars go further toward keeping the organization alive.” He warned “the bottom line is that we have great momentum, but we still have a considerable way to go.”

As the new membership checks came in each day, Pyter and Nelson deposited the money and entered the information into the database. Board President Pam Hume volunteered in the office every day to keep the events and normal functions of the office in hand. “She was the glue that kept us afloat during those critical months,” said Pyter. A recent retiree from a large corporation, Pyter also spent countless hours in the MSL office during the crisis.

With the two challenge grants ending on January 31, 2008, it was time to total up the results. At a press conference on February 22, 2008, Century 21 presented both a large symbolic and the actual \$10,000 check in fulfillment of its challenge to residents to support MainStreet

## Total Number of Main Street Libertyville Members

2006-2010



*MainStreet Libertyville’s membership tripled from 439 in 2007 to 1,116 in 2008.*

Libertyville. The anonymous donor also made a \$2,500 matching pledge.

An editorial in the *Daily Herald* that day announced that “residents and businesses had donated more than \$88,000 to the nonprofit organization since November 1. Membership had tripled to 1,116, giving the group that had for a time operated without any paid employees some breathing room and a rejuvenated sense of purpose.” Another article noted that “new memberships provided the bulk of the new funds.”

The MSL board set a new goal to get another 400 members to join by July 1, 2008, to stabilize the organization’s operations. The bulk of the memberships came in late December and throughout January, with green envelopes still trickling in as late as April, noted Hume.

### So We Have 1,116 Members, Now What?

No one really expected MainStreet Libertyville to retain all 1,116 members when it came time to renew them in 2008. “We were all aware that this number was going to fall off. It was as high as it was because people responded to the financial emergency. Once the emergency was over, some people would feel that they had done their part and would not renew,” says Galo. Tracking the renewal of each donor was essential for success.

MSL’s first step was to set an \$80,000 goal for renewals, upgrades, and new members. This sum was viewed as realistic given the outpouring of support and likely

falloff of members. Instead, membership numbers grew in 2009. The database proved to be an important component in the renewal process because it could merge and customize renewal letters and envelopes, and tally results monthly. Monthly renewals also helped maintain the organization’s cash flow.

Next, MSL staff segmented the membership based on the size of the donation. The 74 residents who donated \$250 or more (representing 30 percent of MSL’s total membership revenue) received a call or visit from a board member. “We knew most of these people already, as they were former board members, merchants, property owners, and others who were keen on our success” says Hume. “Volunteers handwrote thank you notes to every person who joined, which was an enormous task.”

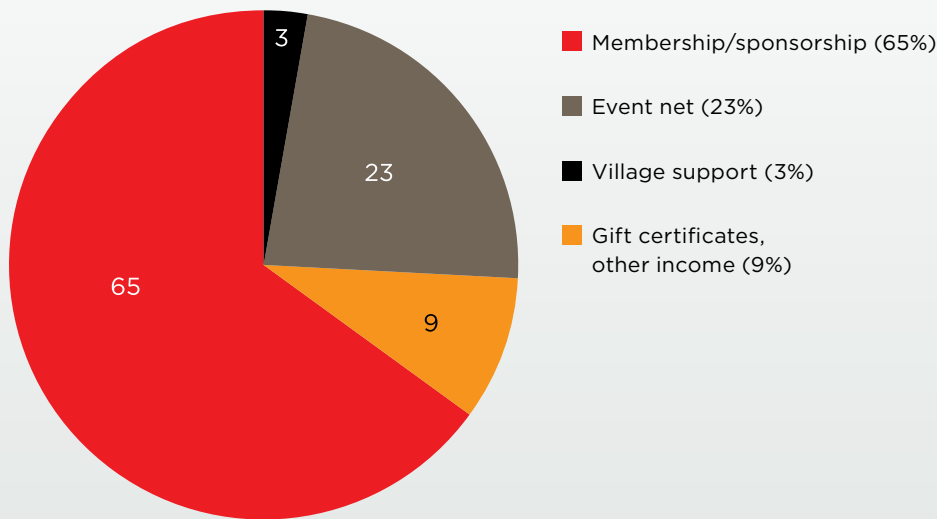
Another significant membership segment consisted of 343 residents who gave at the \$100 level. These folks clearly loved the MainStreet program and gave far above the minimum donation to help ensure that the events and activities would continue. These donations also represented 33 percent of the total membership revenue. MSL used a multi-channel method to renew these members: an e-mail message if an e-mail address was provided; three letters; and a phone call from an organization committee member after the first renewal letter was sent. This multi-channel renewal method was a successful tactic that drove more renewals.

For the 657 residents who gave less than \$100, MSL set up a system of three renewal



## 2009 MainStreet Libertyville Revenue

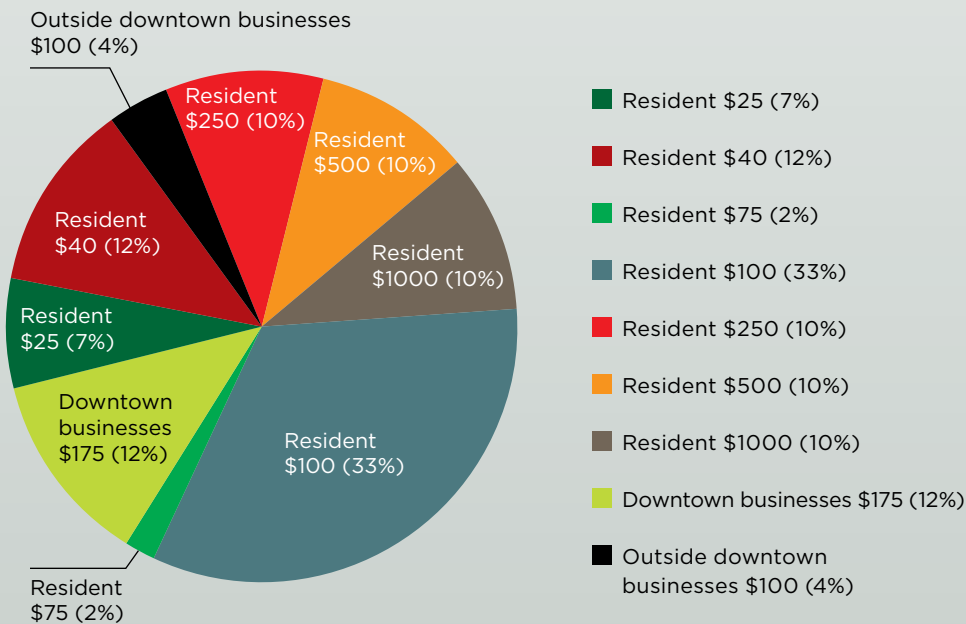
MSL 2009 revenue totaled \$179,229.



*In 2009, membership represented 65% of MainStreet Libertyville's total revenue. Membership dues have since declined to 45% of total revenue in 2010.*

## Breakdown of 2008 Membership Revenue

2008 membership revenue totaled \$105,690.



*MainStreet Libertyville's big membership drive in 2007 brought in more than \$100,000 in revenue. A third of the funds came from \$100 donations from 343 residents.*



## Financial Accountability

While the membership campaign was in the works, “community members were asking how MainStreet got into this situation” recalled former board member Les Galo. “To respond to these questions an ad hoc committee of prominent members of the community and former board members was formed to determine the answers to these questions and guide MainStreet through the crisis and into the future.”

Jack Martin, the business owner who mailed the green envelope appeal to all the voters of Libertyville, was instrumental in forming a Financial Advisory Committee. MSL had always been audited and was already transparent, says Pam Hume; but this committee would help counter rumors and Village concerns. The ad hoc committee “examined our financial statements for the previous seven years,” says Galo. “They satisfied themselves that all transactions had been in order and that nothing illegal or unethical had taken place.”

MJ Seiler, a Financial Advisory Committee member and founding board member, commented in a news article that “the expenses were never the problem. It’s always the revenue side.” The committee, Seiler wrote, wanted to make sure that “MainStreet is on a solid financial footing and prevent this from happening again.”



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Two new fund-raising events have grown in popularity over the past two years. The 2010 5th Annual Golf Outing (far right) was a sellout with 144 golfers and net revenue of \$11,000, while the “Let’s Wine About Winter” (right and far right top) is one of MSL’s most popular retail events.

## Village Relationships

The Village’s annual contribution of \$50,000 represented close to 15 percent of MainStreet Libertyville’s operating funds. Village President Duane Laska was a big MSL fan, and while he remained in office, MSL could count on continued village support. But when Laska decided not to pursue reelection in 2004, MSL board members worried about what would happen. Concerns were raised in October 2003 when four MSL board members, including the president, resigned “out of concern about the group’s handling of its finances and its level of professionalism.” Most of this revolved around staff salaries, even though they were comparable to similar Main Street organizations nearby. In a newspaper article about the fiscal crisis, a Village Trustee noted that “at one time the group had a \$100,000 cushion in the bank and the Street Dance brought in \$65,000.” So when one of the MSL board members who resigned was elected as a Village Trustee, MainStreet knew there might be budget repercussions.

letters. A renewal letter went out a month before the lapse date; another letter was sent on the anniversary date of joining, and a final “good-bye” letter was mailed out the month after the lapse. While this was the largest group of members, their donations represented only 21 percent of the program’s total membership revenue in 2007.

### Revising the MSL Budget

According to Les Galo, who was serving as MainStreet board president in 2008, the “new emphasis on membership fund raising was good but the amount of money coming in was not enough. More fund raisers were needed.”

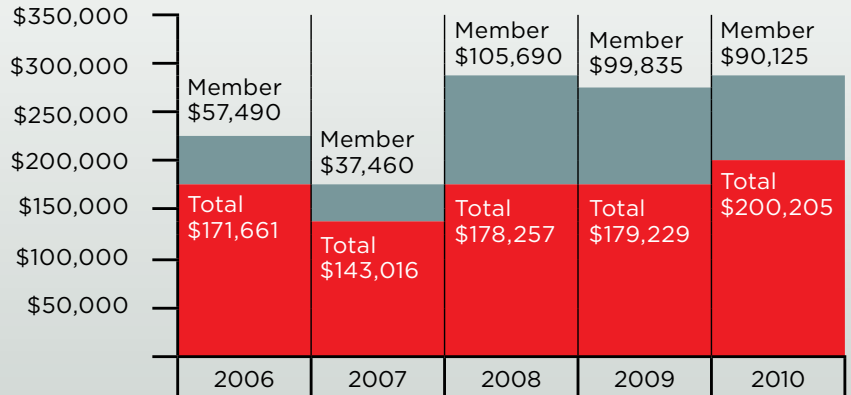
The organization could no longer pin its hopes on one fund raiser a year – the Street Dance – to bring in a third of its budget. We needed a variety of fund-raising events during different seasons of the year, says Galo. “First, a wine-tasting event was held to great social and financial success. Jack Martin of green envelope fame hosted a wine tasting event in February of 2008, raising almost \$8,700.”

Held in June 2006, the first golf outing produced modest results, but it has grown

## MainStreet Libertyville Budget

Yearly budget and membership

■ Total Revenue ■ Membership Revenue



*MainStreet Libertyville depends heavily on memberships. Membership revenues amounted to 45% of MainStreet Libertyville's total budget in 2010.*



© Bob Killackey



© Pam Hume

in popularity over the past two years. In 2010 it was held for the fifth time and all 144 golf spots sold out two weeks before the event. "With the sponsorships sold and the number of golfers maxed out," says Galo, the event "is a terrific money maker for us at \$11,000."

Another event, organized by Rick Pyter's daughter, Stephanie Herbek, involved the local running community in raising funds for Main Street: The first 5 kilometer race was held on Labor Day Sunday in 2008. Like the golf outing, the race achieved greater success in its second year, bringing in \$20,000 from 800 runners in 2009. MSL views this fund-raising event as having great potential since a virtually unlimited number of people and families can participate.

The Street Dance still takes place every September, but it no longer brings in the substantial sums of the past. "We count on between \$10,000 and \$15,000 in net proceeds a year from it now," says Hume.

Sponsorships are still a vital revenue source as a component of income from special events. Seventy-five local businesses along Milwaukee Avenue are loyal members, and give annual membership gifts of \$175

yearly. About 45 businesses outside the downtown are associate members at \$100. Last year MSL reviewed the benefit structure for both business and associate members.

As of April 30, 2010, the end of MSL's fiscal year, the program had raised \$76,648 from 954 residential members. This sum is very close to the \$80,000 goal set in 2008. Residential membership has amounted to 45 percent of the organization's total budget of \$200,205. Residential membership gifts to MSL are purely charitable donations, and members receive very limited personal benefits for joining; there are no tee shirts, mugs, coupon books, or other premiums. Each year the organization committee reviews the membership categories to provide new or upgraded giving opportunities, says Hume.

Thanks to and recognition of members occur in several ways. The names of all members are printed in one issue of *The Gazette* which is delivered to every household in the Village. All members get a formal thank-you letter, while those who donate at the \$250 level or higher get a personal handwritten note on their letter. All donors at \$500 or above get personal telephone calls of thanks from the board chair.

Born out of necessity, the actions to address MainStreet Libertyville's financial crisis over the last three years have remade the organization. The organization's suc-

cessful move away from government funding now forces it to rely on residents for the vast majority of support from memberships, fund-raising events, and special event proceeds. As a mature organization, MSL has long provided quality events that residents love, but few people actually knew who produced them. Now everyone knows what MainStreet Libertyville does. Although downtown looks great, Village officials realize that MSL's work is not done. While the organization's turnaround was sparked by a funding crisis, it also provided an ideal public relations opportunity to explain why MainStreet Libertyville provides value to the community and its residents.

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# How to Use This Case Study

By Donna Ann Harris

With \$90,125 of a \$200,205 budget coming from 1,192 individual members, and fund-raising event proceeds adding another 46 percent, MainStreet Libertyville claimed in its renewal letters that it raised “over 98 percent of our budget through private contributions.” Residents clearly supported the continuation of all the community’s cherished MainStreet events and traditions with their own dollars.

While most Main Street organizations begin their existence expecting only one-third of their budget to come from membership, in my experience, members – or investors or supporters, if you choose to call them that – represent an untapped opportunity to provide stability for a local program. I suspect few Main Street organizations rely as heavily on residential members to meet payroll each month as MainStreet Libertyville (MSL) does. MSL is like many other local revitalization organizations that are seeing their governmental and grant support decline. Because local programs cannot control government or grant funding sources, they should instead focus on revenue sources they can control, such as fund-raising events, special events, and especially membership for the majority of their budget, in order to diversify their funding.

## Why focus on membership?

Each year, the Giving USA Foundation charts philanthropic donations in the United States. Recently released statistics say giving dropped by 3.6 percent in 2009 to \$303.75 billion. Still, Giving USA reports that the largest sector of donations was from individuals who donated more than 74 percent of all gifts to charity. Given these statistics, Main Street organizations should renew and upgrade their pitch to individuals because they are the ones who continue to make the vast majority of philanthropic donations both large and small.

## Expand your membership base

Membership is one of the three Main Street revenue sources entirely controlled by the organization (the other two are fund raisers and special events). The amount of time and effort you spend on a good membership campaign will reap lasting rewards. Libertyville’s success relies mostly on the organization’s personal approach to raising funds.

In 2007, Libertyville residents were literally bombarded over a four-month period with appeals sent home in their children’s backpacks; inside their shopping bags if they patronized local shops; in e-mail messages; from a speaker at the Rotary breakfast; from a local radio talk show; through numerous articles in the two local newspapers and in the *Chicago Tribune*; from a speaker at their homeown-



ers association; in a letter from a local business person, and from the quarterly MSL newsletter sent to each home. Of the 12,500 households in town, more than 10 percent of all families became dues-paying members of MSL to keep the events they loved alive. MainStreet Libertyville was able to show that it provided real value for its members' investment.

A large membership base is an excellent barometer of success. Members essentially "vote" on how your organization is doing with their checkbooks or credit cards each time they participate in an event, buy a raffle ticket, use a MainStreet gift certificate, bid on an auction item at a fund-raising event, or renew their membership. A large membership roll means there are many more people to invite to events and more upper-end donors to cultivate during the year for additional gifts. All members have the potential to give more if they are asked to upgrade their gifts when they renew. Members can also be invited to support other worthy individual or special projects during the year.

Your group will enjoy more clout with elected officials if it has 1,400 members instead of 400. But if individual memberships represent close to half of your annual budget, the renewal and recognition process becomes ever more critical for the continued health of the organization. Membership renewal must be taken seriously and focus on the numbers.

# TOP 10

There are many lessons to be learned from MainStreet Libertyville's financial crisis. Here is my top 10 list.

1. Diversify your revenue sources.
2. Reduce your dependence on government funds by turning to residents for support.
3. Chart your revenue yearly and compare it to previous years so board members can easily see trends forming.
4. Spread fund-raising events throughout the year instead of relying on just one event.
5. Review your membership levels and increase or change some categories each year.
6. Ask members once or twice a year to give to a special project.
7. All special events must make money or at least break even.
8. Do not make fund-raising events dependent on good weather.
9. Tell people about your good work through a public relations campaign.
10. Even mature organizations must explain their value to all of their constituents.