



Opportunity Analysis: Findings & Recommendations

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Executive Summary

Convergent Nonprofit Solutions was engaged by the City of East Grand Forks (EGF) to test the feasibility of raising \$10 million in a capital campaign and to obtain feedback about the possibility of a 1% sales tax increase to generate an \$10 million to fund the project described in the draft *Prospectus* (Appendix A).

A successful campaign will typically generate 50 – 60% of the campaign goal from the top ten investors. The key finding from the feasibility study process is the apparent lack of seven figure lead commitments which need to occur before a campaign is publicly launched. This is not to say that potential for lead pledge of this magnitude does not exist, but most of the interviewees had difficulty identifying prospects who might have lead gift potential. This is the biggest obstacle to fund the proposed initiative.

In terms of the 1% sales tax increase, the interviewees indicated strong support but were slightly less optimistic about the support that the general population and business community might have for the tax. Effective communication with both the citizens and business community and advocacy with East Grand Forks state legislators will be important.

Based upon the information gathered and careful analysis, Convergent does not recommend that the city pursue a capital campaign at this time for three key reasons. First, as indicated above there is a lack of seven figure lead investors. Second, the fundraising potential is would be well below the \$10 million target. This will be a major red flag for investors/campaign leaders and would require a significant reduction of the project plan. Third, 50% of the project funding (local sales tax increase) requires approval from the state first, and then a positive vote at the polls in November 2022. Investors of all levels will be waiting for both the state approval and a November vote before investing and agreeing to participate in campaign leadership.

The following themes have emerged from the feasibility study:

1. There is tremendous support to invest in a campaign among families who currently participate in the programs and utilize facilities outlined in the *Prospectus*. They are, however, representative of lower-level investments.
2. Hockey is a focal point of this initiative and there is agreement that East Grand Forks is a “hockey town.” However, a more comprehensive plan that impacts a broader scope of participants and sports or recreation programming will result in more funds raised and create a better case for the 1% sales tax increase.
3. Many of the interviewees understood the need to replace depreciated assets and mechanical equipment. The top potential investors will want an assurance that the city budget process will include an adequate amount to fund the expected depreciation of parks and recreation assets, i.e. once this campaign is over, they would rather provide their funding for new and exciting initiatives.
4. There is some hidden wealth that if cultivated and nurtured, will get involved in the campaign.

Background & Methodology

ORGANIZATION BACKGROUND

Since the 1960's, the East Grand Forks Parks and Recreation Department has connected youth, families, and communities through their highly rated programs and facilities. The department owns and operates three indoor ice arenas (the Civic Center built in 1974, the VFW Memorial arena built in 1982, and the Blue Line Arena which was a temporary school facility and then renovated to an ice arena in 2008) which are the home arenas for the EGF youth and high school figure skating and hockey programs, as well as numerous dry floor sports practices and community events. Stauss Park, one of the oldest parks in East Grand Forks, dating back to 1963, has a proud history as the home to baseball, football, and outdoor hockey.

Together, these facilities have served thousands of youth and East Grand Forks families through programs that connect people of all backgrounds, and provide opportunities to be part of "community," while promoting healthy and engaging lifestyles. The department's recreation facilities and venues promote economic development by attracting participants within a 125-mile radius of East Grand Forks through figure skating, ice hockey programs, and outdoor sports programs. The purpose of the proposed capital campaign along with a potential 1% sales tax increase is twofold:

1. Renovate/modernize the ice arenas and replace the aged mechanical systems and ice plants for those facilities based on the remaining useful life of the equipment.
2. Improve Stauss Park by replacing one of the fields with synthetic turf to lengthen the playing season and increase use during wet weather.

These project concepts were developed as a result of various community feedback sessions conducted by the City of East Grand Forks.

METHODOLOGY

On March 22, 2021, the City of East Grand Forks Parks & Recreation Department (EGF P&R Department) contracted with Convergent Nonprofit Solutions, LLC (Convergent), to conduct a feasibility study for a proposed capital campaign. Convergent and EGF P&R Department teams collaborated to develop a draft *Prospectus* (Appendix A), which outlined EGF P&R Department's proposed program of work over the next 2 years. Also, an *Interview Request Letter* (Appendix B) explained the study's process and purpose and requested prospective interviewees' involvement. EGF P&R Department staff also developed a list of 156 potential interviewees. All of these items were finalized in May 2021.

EGF P&R Department staff mailed the draft *Prospectus* and Interview Request Letter to study interviewee prospects. Convergent Principal Andy Coe and Senior Project Director Len Romano conducted a total of 58 interviews with business and community leaders between May 10 and June 11,

2021. Those interviewed (Appendix C) represent a broad cross-section of the region's business and community leaders.

To facilitate the interview process and best quantify the information obtained, Convergent developed and used a detailed *Interview Questionnaire* (Appendix D). Most interviews lasted between 45 and 60 minutes. It is important to note, however, that not all interviewees were asked or answered every question.

To encourage candid responses, Convergent assured all interviewees that their opinions and comments are confidential. They also assured interviewees that the meeting was not a solicitation for funding. The majority of interviews included a review of an *Investment Range Table* (Appendix E), illustrating private-sector financial support levels typically required to raise \$10 million.

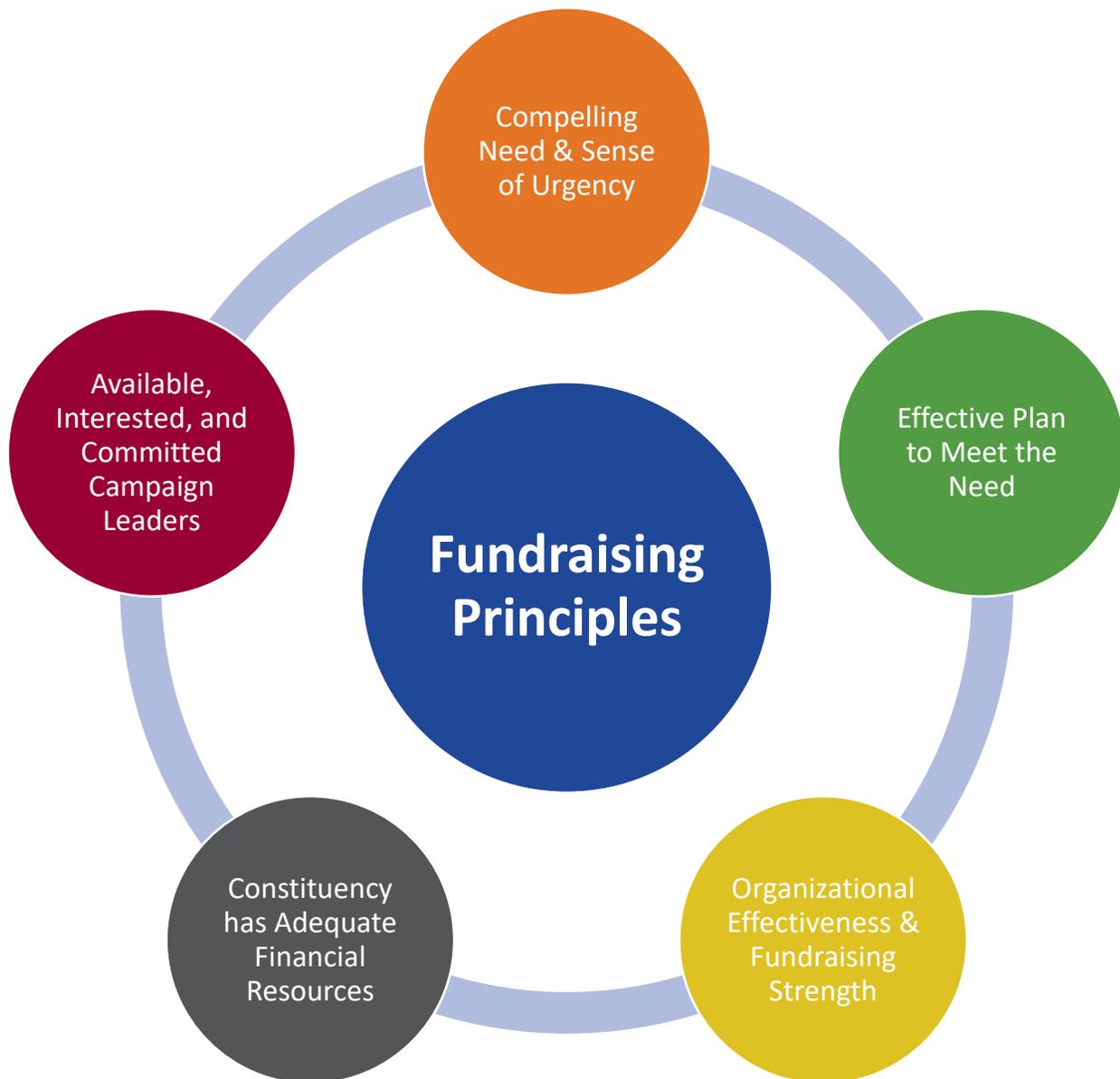
While not asking for specific funding support, Convergent sought information for a financial range of support that the interviewee or company might consider for a campaign, given an acceptable plan with strong and supportive campaign leadership.

Though direct quotations appear in the report, Convergent is vigilant about its commitment to confidentiality. The comments are not attributed to any specific person, company, or industry and may be a combination of thoughts and opinions offered. This report lists all interviewee responses in the aggregate.

The findings and recommendations are the results of careful analysis by the Convergent team based on our experience in hundreds of campaigns nationwide.

Fundraising Campaign Fundamental Principles

A fundraising campaign's success is contingent upon several specific factors related to the organization, the proposed plan, and community leadership. The combination of these factors will become the basis for the campaign's Case for Support, enlistment of appropriate high-level leaders, and solicitation for specific and significant pledges. While the factors' nuances are unique in every campaign and community, their integral role in success is not diminished.



➤ **Compelling Need & Sense of Urgency**

Is there a well-recognized community, societal, or individual need and not an organizational need? Does a persuasive reason exist to fund this program NOW?

➤ **Effective Plan to Meet the Need**

Does the plan give a practical solution and response to the need?

➤ **Organizational Effectiveness & Fundraising Strength**

Does your Board include respected leaders capable of executing a successful funding campaign and implementing the proposed project? Are board members enthusiastic, committed, and capable of supporting the campaign generously with their financial means, time, and other resources? Does the organization have a positive reputation, a record of accomplishment, or other attributes that give stakeholders confidence in its ability to manage and implement the proposed project or program?

➤ **Constituency has Adequate Financial Resources**

Is there an identifiable group of individuals, corporations, foundations, and public entities who care about the identified needs and have the financial ability to fund the project?

➤ **Available, Interested, and Committed Campaign Leaders**

Are leaders of influence and financial means affiliated with and committed to the organization and the project? Alternatively, is there substantial evidence that the organization could readily recruit leaders of appropriate stature and means?

Reconciling with Fundraising Principles

➤ **Compelling Need & Sense of Urgency**

It is recognized by both those who utilize the programs and facilities as well as those that do not, that the mechanical systems of all the ice arenas are in dire need of replacement. In the minds of most, time is of the essence as both the VFW and Civic Center arenas are at risk of an unintended shutdown should the mechanical systems fail. This would impact hundreds of local youth (including the high school) and adults, as well as out of area participants/teams that travel to East Grand Forks for figure skating and hockey. The result will be a loss of spending in the local economy and a movement of these participants and teams to the venues in Grand Forks.

There is a very high level of community pride that exists in East Grand Forks. Many have cited the condition and quality of all the proposed initiatives (ice arenas and Stauss Park), along with those outside of the initiatives (Itts Williams Park sports fields) as a poor representation of community image especially in relationship to the amenities that exist in Grand Forks. This high level of community pride is an asset which will be addressed in the “Favorable Factors” section below. The compelling need for the initiative is weak due to the focus on facilities/bricks-and-mortar versus tangible outcomes that combats an overarching social, community or societal need.

➤ **Effective Plan to Meet the Need**

The initiative does address the immediate need to replace and upgrade the target facilities listed in the *Prospectus*. However, there was enough discussion during the various interviews about the extreme focus on the hockey program and facilities, and a perceived lack of elements that would benefit the total community. This was voiced even by those who are advocates of the ice-based facilities and programs. This begs the question: Will the major investors see the initiative as important enough to merit investment at a significant? Some may, if they have hockey as a particular interest, but experience in engaging and securing major investors, they tend to support initiatives with outcomes that make a broader difference in society.

An additional venue, the Itts Williams Park, was mentioned as important to consider in the plan. There was also a question brought up by many involving strategy, i.e., is the strategy to “fix and repair” or is it to “attract tournaments or organize city run tournaments?”

➤ **Organizational Effectiveness & Fundraising Strength**

The Parks and Recreation Department staff are held in very high regard. They are seen as responsive, caring, visible during program times and hardworking. The overall rating of staff is significantly higher than the organization. Most of the difference in the rating has to do with on-the-field program issues which are listed in the comments section under the “Organization Effectiveness” question.

The various programs have volunteer clubs that provide support for hockey, baseball, and figure skating. Most are satisfied with the leadership of those entities which are separate from the Parks and Recreation Department.

The main issue is staff and financial resources that are available to assist the three key staff members (Reid, Mark, and Katie). There was a repeating theme throughout the feasibility study, “They do the best they can with the resources that they have.” As an example, many expressed frustration that the city does not organize many tournaments/competitions for hockey, figure skating, or baseball which could bolster earned revenue for the department and create more out of town spending benefiting local businesses. In this example there would be an opportunity to “spend money – to make money” by hiring a tournament development director.

Another issue as it relates to the staffing resources has to do with the work involved in a capital campaign. It will be important for the Superintendent of Parks and Recreation to have the availability to attend campaign meetings, visit with prospects and “be the face of the project” for an extended period of time once a campaign begins.

➤ **Constituency has Adequate Financial Resources**

There is little evidence that a seven-figure lead gift exists. There is the potential for several six-figure gifts. Some will care about the needed improvements presented in the *Prospectus* and some will need to see a more comprehensive initiative that will impact more people. The positive news is that during the study process ninety three potential investors were identified.

One very strong outcome of the study has to do with the tremendous amount of community pride that exists which will be a major benefit for a community phase for the proposed capital campaign. The community phase is always the last segment of a campaign so the lack of documented seven-figure lead gifts is the biggest barrier to achieve the \$10 million goal. The lack of major corporations within East Grand Forks is an additional barrier.

➤ **Available, Interested, and Committed Campaign Leaders**

Over fifty potential leaders that were identified during the feasibility study which is a strength for a potential capital campaign. But as with major donors, are they connected at a personal level to the organization, its programs, and staff? There are some that are, but for most potential leaders (and major donors) there will need to be a nurturing effort that must take place to engage them before they are asked to get involved as a leader and an investor (it is important to remember that all campaign leaders must also commit early to invest in the campaign).

Convergent Recommendations

The following recommendations are predicated on the key findings of the Opportunity Analysis. The recommendations provide the best possible outcome to position the city for a future capital campaign. It is also important to read the analysis of each question to gain a further insight.

CHALLENGES

1. Some of the interviewees perceive that the city should have funded a depreciation reserve over the years to replace the mechanical systems of the various arenas. This could be an issue for some of the major investors as they may want to see that the city has skin in the game. A formal commitment to fund a reserve for depreciation of recreation amenities through the city budget process will minimize this issue moving forward. Higher-level investors will want to better understand how their resources will contribute to the overall welfare of the community by serving a broader base of the population and will want to be assured that the city will not be in the same situation years down the road.
2. There is an absence of documented \$1M plus lead gifts. As mentioned earlier, the top ten investors usually generate 50 – 60% of the campaign fundraising goal. These investments are secured in the quiet phase of a campaign prior to going public and sets the pace for the remainder of the campaign. The *Investment Range Table* (Appendix E) will need to be modified to include a higher number of six figure investors to achieve a \$10M campaign goal. There are a handful of individuals and foundations who have this ability. Their impact on a potential campaign is critical, but they were not engaged for an interview during the feasibility study. Cultivating these relationships should be a focus.
3. This personal connection with both lead investors and potential campaign leaders is one of the major success factors in any campaign. There seems to be a gap in engagement and relationship with these potential leaders and investors. It is easy to identify potential investors with capacity, but are they connected at a personal level to the organization? The feasibility study has started this process by getting to know the potential investors at a personal level and hearing their stories.

Moving forward, now is the time to begin the process of reaching out and nurturing these individuals prior to beginning a campaign. Think of this as a first step in the capital campaign. There are high net worth individuals who participated in East Grand Forks recreation programs as children. Some are CEOs, business owners and current/past professional hockey players.

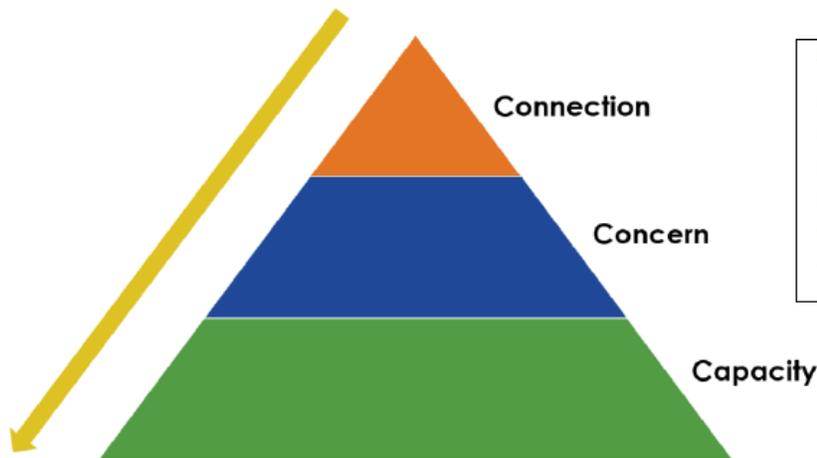
Whether they live in town or out of town, some simple ways to begin would be to:

- Create an East Grand Forks Alumni recognition society for hockey, figure skating and baseball. Invite them to the “opening season” game/event to give them public recognition.

Whether they come or not, print their names and photos in a special section of the Grand Forks Herald and send them a copy.

- Send an alumni newsletter three times/year with updates about program successes and outcomes with photos of children participating and adult volunteers/key community leaders who are involved in the program.
- Mail birthday and holiday cards.
- Invite them to attend a city sponsored event.
- Reach out to get their personal story about how their participation has helped them in life and if you have their permission use it in an alumni newsletter.
- Create a ten, twenty, thirty, etc. year alumni recognition program.

Of all the recommendations that are presented, this is the most critical. It is based on a concept presented in *Asking Rights – Why Some Nonprofits Get Funded (and some don't)*¹. The Motivational Pyramid diagram below indicates that **connection** is the primary starting point, followed by **concern** (which represents the right case for support, outcomes, and credibility of the organization), that relates to those who have the **capacity**. Basically, you must earn the right to get a major investor or key leader to be involved and this takes time and effort.



To achieve maximum success, a nonprofit must start with those most connected to its organization. To resonate with the high capacity investor, you must nurture them over time and get to know them, and they you, at a personal level.

4. Some perceive the initiative to be hyper-focused on hockey. The reality is that East Grand Forks is a hockey town. Even those who are avid hockey program supporters recognize this challenge, including the figure skating community. For this reason, there are three options to minimize this challenge. All include revising the project scope (this will need to happen in any case since the campaign goal has been reduced).

¹ Ralser, Tom (2013). *Asking Rights – Why Some Nonprofits Get Funded (and some don't)*. Smyrna, GA: TDWH Press. 78 – 80. This is a recommended book for board and staff who will be involved in a capital campaign.

The first option is to phase the projects in over several years focusing on what most see as the basic programming need: preventing the ice arenas from complete shutdown due to the mechanical systems. This is not very exciting but is the immediate concern that most have. The second option is to eliminate some of the “can live without” elements (the connection between the Blue Line/VFW arenas and the synthetic turf field) to focus instead on basic spectator improvements, at Stauss Park and the arenas, life safety issues (parking lots at VFW/Blue Line and Stauss Park) and added improvements to Itts Williams sport fields which was mentioned frequently by individuals.

In addition, the use of VFW and Blue Line arenas for year-round programming would also minimize this challenge. In terms of “ice time” we heard that on the off season when these facilities are not being used, participants travel to Grand Forks to participate there. In addition, some suggested that more availability of walking programs or other types of recreation programs focused on younger children would also send a positive message for the portion of the year after the ice season is over.

A final tactic to minimize the hyper-focus on hockey is to collect the outcomes that the participants experience because of program participation. Impact on children and the dollar value of volunteer hours provided by adult role models is highly motivating for major investors. Also consider the economic value of hosting tournaments to the East Grand Forks business climate. The ICON Center in Grand Forks has captured this information and they use it to inspire the business community to support it.

1. A distinction must be made between the ice mechanical systems and the arenas. The mechanical systems are an immediate priority and a finalized case for support will need to document the useful life remaining and the consequences of not moving forward either with a capital campaign or a 1% sales tax increase.
2. Some of the local businesses will be more sensitive to the 1% sales tax increase than the typical citizen household. Their concerns are staying competitive with Grand Forks and the psychological impact that the pandemic has had on their business environment. Advocacy with this group is key.

FAVORABLE FACTORS

1. There are a few individuals who have been identified as the linchpins that do have connections with other potential key leaders and major investors. Getting their commitments to join the leadership team should be an early focus of campaign planning. The feasibility study has opened the door for this recruitment to happen.
2. The extreme community pride (referred to as “Green Pride” by the interviewees) is an asset for the public phase of a potential campaign. Based on the number of households involved in programming

of the venues impacted by the initiative there is the potential of up to \$500K of support from these individuals. This is important as the public phase is the last piece of a capital campaign and sometimes a difficult one to complete due to the lower-level investments. In this situation the public phase is projected to be highly successful and easy to complete. However, it is important to note that the community campaign will be the last phase and typically only amounts to 10% or less of the campaign goal.

3. There exists key leaders and major investors who have fond memories for their time as a youth participating in the recreation programs and now their children/grandchildren are program participants.
4. The key staff (Reid, Katie, and Mark) are held in high regard.
5. Time is of the essence, and there is a presently recognized sense of urgency given many know that the mechanical systems need to be replaced.
6. Participants outside of East Grand Forks utilize the recreation services which will expand the campaign outreach to other areas.
7. The local economy has performed in such a way that it is less vulnerable to extreme changes compared to other cities in the United States.
8. Rather real or perceived, many want this initiative to succeed for East Grand Forks to stay competitive as a place to live, work and play compared to Grand Forks.
9. After reviewing the Civic Center brochure from 1975, there are a few key leaders who were part of that initiative that are still in East Grand Forks. They will be helpful if their zeal from the past can be renewed.
10. A high percentage of interviewees are willing to be door openers for the campaign.

X-FACTORS

While there are consistent circumstances and organizational characteristics that create a strong foundation for successful campaigns, it must be noted that every community and every organization is unique. Even more, each community grows and evolves over time. Given that major funding campaigns utilize multi-year commitments, it is essential to identify and address the immediate climate of a community and organization on various levels. Realities that may be highly impactful to a campaign but fall outside of the specific context of Asking Rights™ or Fundamental Principles of a Campaign are what Convergent calls “X-Factors.”

X-Factors have a great capacity to influence the success of a fundraising campaign, but often cannot be changed by the client organization. Clearly identifying and maintaining a keen awareness of X-Factors through a campaign timeline will minimize surprises and ensure any potential adverse impact is appropriately mitigated.

1. The 1% sales tax increase. If the city receives approval to proceed from the State Legislature and if passed by the citizens this has the impact of serving as the “lead gift” - momentum and optimism will be created as a result. Major investors will most likely commit only after the 1% sales tax increase has been confirmed.

It will be important to advocate at the state level, prepare the necessary background information and then implement a public relations strategy locally to help both the citizens and the business community to understand the positive impact that will occur. In the absence of a clear-cut strategy and messaging there will be difficulty ahead.

2. Support from the farming community and a trusted and credible leader to promote the initiative to them is important to gain their investment in the campaign. A co-chair from this group will be required.
3. Precise messaging (in addition to outcomes and economic development ROI caused by the programs). Themes from the feasibility study include:
 - Keep it simple in a practical way – we are investing in the essential bones of our amenities.
 - It is for the kids.
 - The facility amenities contribute to our sense of community.
 - The Civic Center is a sports tourism strategy.
 - The mechanical systems have an expiration date.
 - The facilities and programs will attract and retain families to live, work, and play in our city.
 - The facilities and programs will provide a sense of place by providing social gathering space for youth, families, and senior citizens.
4. Major investors who have benefited from the recreation programs but no longer live in East Grand Forks – they need to be nurtured.
5. A campaign leadership team that has personal connections with other potential campaign leaders and investors.
6. A very specific construction cost estimate with renderings.

7. The East Grand Forks School District investment in the upgrade of facilities which they use, i.e. a facility lease increase for five years.
8. Many of the potential major investors are associated with Sacred Heart in some way. It is important to recruit a campaign leader who is part of this group.
9. Clear indication that the city will commit to fund depreciation through the budget process.
10. Campaign co-chairs representing Grand Forks and the University of North Dakota Hockey Team.

PROGRAM REFINEMENTS TO CONSIDER

Many of the program refinements are listed in the “Challenges” section with relevant guidance on specific identified challengers. Additional recommendations based on feasibility study feedback trends:

- Ensure that the facilities are designed in such a way that they can be used for a broader participation base including non-sports, indoor sports during season downtime and senior adults.
- Modifying the facilities for year-round use.
- Improving the fields at Itts Williams Park - this will go a long way to attract more investors.
- For increased tournament attraction, place a second sheet of ice at the Civic Center location, or alternatively an additional facility on that site for indoor multi-sports use. This would require an additional staff person (Tournament Development Director or Recreation Program Director).
- Many of the interviewees were confused about the project scope based on what they have heard in the past, i.e. a second sheet of ice at the Civic Center and the VFW used as an indoor fieldhouse. The project scope will need to be clarified prior to launching a campaign (this could also be considered a campaign challenge).

CAMPAIGN GOAL & TIMING

It is our opinion that a \$10 million capital campaign is not realistic at this time due to the lack of seven figure lead investors and the process/timing to bring a potential 1% local sales tax increase to the citizens of East Grand Forks for a vote. Although we are not recommending a broad-based fundraising effort currently, by following our recommendations in this report and waiting for the tax increase to pass, there will be support for broad private sector fundraising campaign.

It is recommended that the immediate focus is on the messaging, proposal, and advocacy to prepare for a presentation to the state legislature to gain approval for a public vote on the 1% sales tax increase. Based on what feedback collected via interviews, the earliest this can be brought to the voter base (after approval from the state legislature) is during the election of November 2022. If approved by both the

state legislature and the voters of East Grand Forks this will serve as all the important “lead investment” to motivate potential major investors.

Simultaneously during the next six-months the important process of nurturing the initial key campaign volunteers would be an additional focus. Once this step is complete, the case for support would be drafted and reviewed by other key leaders to gain their buy-in, wisdom and future support. Following approval of the sales tax, the quiet phase fundraising effort can begin. Positive forward momentum is critical once the sales tax has been approved. See below for additional steps that will take place during the quiet and public phases of a typical fundraising effort.

