

# **GUIDELINES to FUND COMMUNITY and EXTERNAL ORGANIZATIONS**

CITY OF URBANDALE, IOWA

Originally Adopted: October 18, 2011

Updates Adopted: 9-2014, August 16, 2016

Last Reviewed: 2017, 2018, 2020

## **1. OVERVIEW:**

The City Council considers funding requests (November-December) from community and external organizations (“Organization”) when it develops the annual operating budget for the following fiscal year (July 1 through June 30). Any awards made under this policy are applicable for the fiscal year granted only, and expire at the close of the fiscal year.

Funding for these agencies can come from Hotel Motel Tax Fund dollars or General Fund dollars, depending on the nature of the Organization and the purpose of the request. This policy addresses the City’s guidelines for each funding source separately, as each has separate criteria. Any award funds unused at the end of the award period will be forfeited and revert back to the governing City fund.

For funding to be considered from either revenue source, the Organization must meet one of the following base criteria:

1. Submit a request using the City’s Funding Request Form, as prescribed by this policy, and include all requested information outlined in the next section, by the deadline indicated on the funding request form, OR
2. Be part of a 28E intergovernmental agreement with the City’s which obligates a contribution to the Organization; these entities do not need to complete the Funding Request Form.

## **2. DOCUMENTATION REQUIREMENTS:**

All non-28E entities must submit the following, along with their Funding Request Form:

1. Balance sheet/statement of cash position as of the most recently ended month.
2. Income statement/statement of cash flow for the most recently completed fiscal year or calendar year, which at minimum, must include one full year of activity. If fiscal year end is more than 6 months prior to deadline, also include income statement to date for current fiscal year.
3. For applicants that have received City funding in a prior year, a full accounting of use of prior funds is required. Detail records relating to use of funds must be retained by the entity to support subsequent applications, and if requested, must be provided to the City.

Once application documents are submitted, unless additional information is requested by the City for clarification or review, changes cannot be made to the funding request.

## **3. HOTEL MOTEL TAX FUND GUIDELINES:**

The Hotel-Motel tax is a locally imposed lodging tax that is collected by the State from within the corporate boundaries of the City and remitted to the City on a quarterly basis. Iowa law (423A.4) currently limits a City to a Hotel-Motel tax rate not

to exceed 7%. On November 7, 1978, voters in the City of Urbandale approved the initial 5% locally imposed Hotel-Motel Tax, the maximum then allowed by the State. By Ordinance 85-1, passed January 2, 1985, the local lodging rate was amended to 7%, as allowed by the State.

Once received from the State, the City credits a portion of the derived tax revenue to the Hotel-Motel Fund and a portion to the General Fund according to the basic formula outlined below, and specifically defined in Section 5. The basic spending restriction formula is as follows:

- 1) Under State law (Chapter 423A), of the Hotel-Motel tax revenue remitted to the City, at least 50% must be spent for recreation, convention, cultural, or entertainment facilities. This includes:
  - A. Acquisition of sites for, or constructing, improving, enlarging, equipping, repairing, operating, or maintaining related facilities, including parking lots at the facilities; or
  - B. Paying principal and interest on bonded debt for recreation, convention, cultural, or entertainment facilities; or
  - C. Promotion and encouragement of tourism and convention business in the City and surrounding areas.
- 2) Under State law (Chapter 423A), the remaining derived Hotel Motel tax revenue is credited to the General Fund of the City.
  - A. The City may spend the derived Hotel Motel revenue for any of its operations authorized by law within statutory limitations of City revenue derived from ad valorem taxes (property taxes).

State law (Chapter 423A) does not define a “qualified” Organization, however for purposes of the Hotel Motel Fund revenue funding requests, a “qualified” Organization shall be defined as:

- 1) The Organization is designated as an exempt/non-profit entity under the Internal Revenue Code or is an agency of a local government, AND
- 2) The Organization does not qualify for funding through BRAVO Greater Des Moines, OR
- 3) The City has a formal 28E agreement in place that requires funding.

Further, a “qualified” Organization’s request will be considered for funding from Hotel Motel tax revenue, if the activities or proposed project for the fiscal year meets the intent of State law for use of the Hotel Motel revenue. The basis of the intent is to support items that will bring in additional Hotel Motel taxes through additional lodging in Urbandale or the surrounding area(s). This intent includes:

- 1) The Organization’s operating purpose, or specific item requested for funding benefits recreation, convention, cultural, or entertainment facilities in Urbandale and the Greater Des Moines area, or results in or promotes tourism or convention activities, either indirectly or directly.
  - A. In order to be considered for funding, the items requested must fall into one or more of the below categories:
    - 1) Capital-related items: for purchase of fixed assets – land, buildings, motor equipment, furniture, equipment, computers, etc. with a useful life of more than one year.
    - 2) Special events/projects: to support operations or supplies needed to complete a specific non-routine project or to support a specific local

event or a metro-wide event that generates lodging in Urbandale or the surrounding area(s).

3) Debt service payments: to cover the debt payments related to permanent infrastructure (ie: land, buildings, pavement).

B. If a funding request does not meet the above criteria, then it may be considered under the General Fund for funding, as outlined in the next section.

#### 4. GENERAL FUND GUIDELINES:

As noted in the prior section, under State law (Chapter 423A), a portion of the City's Hotel-Motel tax revenue is credited to the General Fund of the City. The City may spend the derived Hotel-Motel revenue for any of its operations authorized by law within statutory limitations of City revenue derived from ad valorem taxes (property taxes).

If the Organization's request for funding does not meet the recreation, convention, cultural, entertainment or tourism criteria established in the previous section, and thereby does not qualify for use of Hotel-Motel funding, the request may be considered for funding from the General Fund.

State law (Chapter 423A) does not define a "qualified" Organization, however for purposes of the General Fund revenue funding requests, a "qualified" Organization shall be defined as:

- 1) The Organization is designated as an exempt/non-profit entity under the Internal Revenue Code or is an agency of a local government, AND
- 2) The Organization does not qualify for funding through BRAVO Greater Des Moines, OR
- 3) The City has a formal 28E agreement, or other formal commitment in place that requires funding.

Further, a "qualified" Organization's request will be considered for funding from General Fund revenue, if:

- 1) The Organization's operating purpose, or specific item requested for funding provides a direct benefit to the Urbandale community through economic development, volunteerism, and/or providing health/human services to the community.
  - A. In order to be considered for funding, the items requested must fall into one or more of the below categories:
    - 1) Capital-related items: for purchase of fixed assets – land, buildings, motor equipment, furniture, equipment, computers, etc. with a useful life of more than one year.
    - 2) Special events/projects: to support operations or supplies needed to complete a specific non-routine project or to support operations or supplies needed to put on a specific event to be held in Urbandale.
    - 3) Economic development: to support operations or promotional activities designed specifically for Urbandale or that directly benefits Urbandale.
    - 4) Human services programs: to support operations of a community program whose sole purpose is providing for the basic needs of Urbandale residents (ie: food, shelter, clothing, medical needs).

- B. If a funding request does not meet the above criteria, then it will not be considered for further funding.

## 5. FUNDING FORMULAS

The amount of funding available for distribution to qualified Agencies is contingent on the City Council first fulfilling its legal obligations under 28E agreements for use of Hotel-Motel proceeds.

### 1) City Obligated by 28E Agreements:

The City has 28E agreements that obligate the City to contribute Hotel Motel funding before funding other agencies. Those Agencies with a 28E agreement with the City are not required to complete the City's "Funding Request Form". These 28E agreements are established as a flat dollar contribution, or in 1/7<sup>th</sup> increments of the 7% Hotel Motel tax. The 28E agreements in existence are:

#### A. **Greater Des Moines Convention and Visitors Bureau (CVB)**

- 1) This is a perpetual agreement that dates to 1985 to award 2/7<sup>ths</sup> of total Hotel Motel receipts. The 2/7<sup>ths</sup> is calculated off the Hotel-Motel total receipts, and distributed to CVB quarterly.

#### B. **Bravo Greater Des Moines, Inc.**

- 1) The first Bravo agreement was approved in 2005 for 2/7<sup>ths</sup>, net of deductions for other non-Bravo entities that the City has obligations to within Urbandale. In 2011, Bravo became a perpetual agreement similar to the CVB agreement. The 2/7<sup>ths</sup> is calculated off the Hotel-Motel total receipts, and distributed to Bravo quarterly.
- 2) A deduction from the Bravo 2/7<sup>ths</sup> is for the Iowa Events Center 28E agreement.

#### C. **Iowa Events Center**

- 1) The 28E agreement was created in 2005 and will end June 30, 2024. Commitment is for \$32,000 per year (\$640,000 total over 20 years); paid out quarterly.

- D. The 50% spending for recreation, convention, cultural, or entertainment facilities requirement of the Hotel-Motel tax (Chapter 423A) is met by the combined 2/7<sup>ths</sup> of the above 28E agreements.

### 2) 50% of the Hotel-Motel to the General Fund:

After the 2/7<sup>ths</sup> to the CVB is allocated, 50% of the remaining Hotel Motel tax revenue is transferred to the General Fund.

### 3) Calculation Example:

The following table illustrates the calculation process based on an estimated \$700,000 in Hotel Motel Tax revenue. The \$700,000 was used for ease of illustration, the total is usually higher.

Total Hotel-Motel Tax Revenue receipts	\$ 700,000
Less 2/7ths to CVB (28E)	(200,000)
Sub-Total	\$ 500,000
Transfer Rate for General Fund	50%
Transfer to the General Fund	\$ 250,000
Less 2/7ths to Bravo (28E) as a netted amount less deductions per Bravo agreement. The 2/7ths to Bravo is calculated off the Total Hotel-Motel Tax Revenue receipts but is deducted from the amount transferred to the General Fund.	(200,000)
<b>Total available to "qualified" agencies from Hotel-Motel Fund</b>	<b>\$ 50,000</b>

Non-eligible agencies would not receive Hotel-Motel funding directly, but may receive funding from the General Fund.

## 6. FUNDING PRIORITIES:

This policy is designed to outline the qualification process for considering funding requests, but acknowledges that the Hotel Motel revenue source is not unlimited, and as such, there will never be enough funding to satisfy all requests received. The City Council will not be able to fully fund all requests and reserves the right to fund some Agencies at a lower or higher amount than requested. Requests that include cost-sharing with other sources will be given priority, and the Council may establish an annual cap on total funding awarded. Past funding by the City Council to an Organization does not guarantee ongoing funding.

In order to help guide funding decisions, the City Council has developed the following priorities (from highest priority to lowest priority) to evaluate the funding requests received from Organizations:

- 1) 28E legal obligations
- 2) Special events/projects that directly bring in lodging stays to Urbandale
- 3) Economic development programs with direct Urbandale impact
- 4) Human services programs with direct Urbandale impact
- 5) Capital-related projects with direct Urbandale impact
- 6) All other requests

## 7. APPEAL PROVISIONS:

Under exceptional circumstances, if an entity misses the deadline for the submission of their application for funding, they may appeal to the City Manager for consideration of a late application. Any appeals will be forwarded to the City Council for review. Under no circumstances will a late application be considered if it is after the date of the City Council meeting when all applicants are required to give presentations.