

BOARD OF DIRECTORS

PROMOTE CARMEL, INC.

With your review and approval of this document, we will send a copy to the Mayor of Carmel and any or all of the City Councilors immediately so that they understand the situation we are facing.

As a reminder, here are the facts.

On July 15, 2024, we submitted our usual request to receive the second half of our annual grant from the City of Carmel. This amounts to \$96,280. As protocol, we sent this to Megan McVicker, who is the chief financial overseer within the Marketing and Community Relations Department, the department that was given the line item to support Promote Carmel, Inc. and all that we do.

We did not get a response until August 5, 2024, when Megan wrote back with this message: *"I submitted the invoice for review and waiting to hear re: the approval timing. (We had a change in our invoice/claim process and the new director is taking a closer look at the expenses). I passed along the messages you sent re: needing the funding to keep the store operational."*

Let us be clear: Without the second half of this grant, the All Things Carmel store will have no choice but to close.

Why is that?

It's important to understand that when this partnership with the City began in April of 2020, this annual grant was sufficient for the store to maintain its business on Main Street, where it serves as a visitor center, information center and gift shop designed not only for local residents, but for the tens of thousands of visitors who come to Carmel. The store, while not showing a huge profit (hence the need for the grant), was able to maintain strong cash flow in order to pay employees, order new inventory and help support local non-profits through sponsorship or gifts to be auctioned for their fund-raisers.

The year 2023 presented new challenges as the previous administration asked Promote Carmel to assist in financially supporting activities related to the Carmel Sister Cities organization, primarily in the funding of travel expenses to and from Latvia, visiting musicians from Cortona and most all alcohol-related expenses for these visitors and other visitors. Toward the end of 2023, we were also asked to financially assist the Carmel JazzFest event which lost a substantial amount of money and was unable to pay its bills.

In some cases, our budget funding was restored by the City through budget transfers within the Department. But, through no fault of its own, Promote Carmel still lost a great deal of funds by the end of the year and began 2024 struggling to meet our own monthly expenses. Upon arrival of the first half of our grant, we were able to partially recover and meet those ongoing expenses, but now, several months later, we have not been able to order new inventory, nor have we been able to work ahead for the holiday season (things that need to be ordered now).

In July, our bank account was so low that we were not able to send checks to our vendors who are on consignment. This has not changed in August.

As a reminder, here are the regular, monthly expenses that we must meet:

- Rent
- Utility, IT and accounting bills
- Payroll wages
- Payroll taxes
- Payroll fees
- Department of Revenue payments
- Vendor payments
- Insurance
- and other miscellaneous expenses throughout each month

Meanwhile there are even bigger expenses that need to be met in 2024.

- Under the direction of the previous Mayor, Promote Carmel was asked to work with the Carmel Clay Parks Department to accept and retain a **\$50,000** donation from a local resident for a future Chinese Peony Garden that had been planned near Carmel Elementary School. That money was needed to help with the JazzFest bailout with a promise to restore it the following year.
- Another new request was to finance and work with a local author writing a Japanese “Cookbook” as part of a Sister City project. In 2023, we paid the author 50 percent of his fee. In 2024, upon completion of the book, we will owe him the other 50 percent, which amounts to **\$5,000**.
- Then there is the matter of finding a publisher and the expenses for editing, pagination, binding, printing and ordering sufficient copies of the book – all of which is currently undetermined due to the early departure of Dan McFeely from the City of Carmel. Dan had served as the liaison to Promote Carmel and was the point person on this book project.

- Another book project must also be funded. Promote Carmel was asked to finance a History of the Carmel Symphony Orchestra on its 50th Anniversary celebration. Again, in 2023, we paid the first installment of the author's fee and in 2024, upon completion of the book, we will owe **\$12,500**
- Similar to the other book, there is the matter of finding a publisher and the expenses for editing, pagination, binding, printing and order sufficient copies of the book – all of which is currently undetermined. Dan McFeely was also the point person on this project.
- **Official City Christmas ornament:**
In the past, Promote Carmel was asked to work with Beacon Design to produce and make available for sale the official city ornament, which meant paying any up-front fees and then purchasing the ornaments, which are sold annually at the Carmel Christkindlmarkt (at the All Things Carmel hut) and at the store. We have heard nothing as to whether or not the new administration will be ordering ornaments in 2024. Typically, the cost of the ornaments is about **\$35,000** and we do sell out each year, then order a second shipment to sell. We maintain ornaments from each year for sale at the store and online.

All told, in addition to the regular monthly expenses, in 2024 we need to raise \$93,500 EXTRA plus the future and unknown expenses related to publishing the two books we are contracted to complete.

LEGISLATIVE BACKGROUND

In 2023, anticipating the additional expenses above, the previous Director of the Community Relations and Economic Development department asked for additional funding for the Promote Carmel grant. That extra funding would have helped pay for the expenses on the publishing of the two books and the deficit faced after the bailing out of JazzFest. The City Council turned down that request and removed it from the department's budget.

The original Grant Agreement was entered into by and between the City of Carmel and Promote Carmel Inc. in 2020. The grant helps support the store's current location on Main Street – a key location to capture visitors who come into the store to shop, ask for directions, seek out information on our roundabouts and many other topics. The store employees are more than just clerks. They serve as ambassadors for the City of Carmel providing positive information on all that the City has to offer local residents and visitors.

Not many cities our size have this wonderful gift of a visitor's center and gift shop. Throughout the year, we are visited by an international audience who come to Carmel to

work, participate in a student exchange or simply to visit. They all want to take something back to their homeland with an item that promotes the City.

The store also supports a number of fund-raisers by donating Carmel branded gift baskets that can be auctioned off. Organizations such as the Carmel Education Foundation, Carmel Youth Assistance Program, various PTO and school fund-raisers have used the store for this purpose. And, thanks to connections made by Hamilton County Tourism, we have begun providing Carmel-branded items for sale in three hotel gift shops! All of this serves the purpose of promoting our great City and – for local residents – building pride in our community.

All Things Carmel is more than just a gift shop. It is an important part of welcoming, directing, assisting and sharing information about Carmel, our local businesses, restaurants, entertainment venues and special events.

PROPOSED CITY GRANTS

2024 - \$192,560 (half of which was distributed earlier this year, leaving **\$96,280** (no change from what is budgeted); and **\$93,500** extra to make up for what was spent on un-budgeted and unexpected things in 2023, see detailed explanation above. Total: **\$189.780**.

2025 - \$173,304 (a 10 percent reduction from the original annual grant made possible by cost-cutting measures already underway).

- Cost cutting measures include searching for less expensive accounting services, including payroll services, insurance and other ongoing expenses.
- An anticipated reduction in financial support to the City for international travel by visitors, lodging, meals and alcohol related expenses.
- Strategic move away from high-cost vendors to new lower-cost options identified just this year.

2026 – \$155,974 (another 10 percent reduction made possible by smart management of inventory, continued cost-cutting measures and continued strong revenues.)

SPECIAL NOTE – These estimates are based on our current lease agreement with Keystone Corp. that calls for gradual, small increases in monthly leasing fees. These numbers should be revisited in the event our monthly lease spikes unexpectedly in the next lease agreement.