2019 Operating and Capital Budget presentation

Board of Directors
December 11, 2018
Executive Summary

• FY14-FY17 produced ~$1M of operating surpluses, building reserves to auditor-recommended levels

• FY18 combined surplus of $0.27M forecasted; proposed to be invested in FY19 capital expenditures

• Funds in-hand for proposed FY19 Capital Budget of $1.07M; largest elements are BID Enhancements (TBD), masonry repairs, and Rings Fountain repairs+upgrades

• Proposed FY19 operating budget is balanced at $6.1M
  – Larger FY19 budget due to capacity expansions & one-time costs from Strategic Business Plan and 2019 10-Year Anniversary

• FY19 budget risks include Development Department staffing changes and economic uncertainty
Operating surpluses from FY14-FY17 totaled $0.99M

Note: Operating Surpluses before Depreciation from audited financial statements
2018 combined surplus estimated to be $0.27M

- 2018 Operating surplus estimate increases by $0.26M over Board-approved budget [from $0.15M to $0.41M]
  - Higher earned revenue of $0.07M
  - Lower expenses of $0.19M
    - Lower salaries & benefits due to vacancies of $0.16M
    - Lower contracted and direct expenses of $0.03M

- 2018 Capital deficit estimate decreases by $0.01M [from ($0.15M) to ($0.14M)]
  - Largely due to changes in project timing

FY18 add’l surplus of $0.27M proposed to supplement FY19 capital expenditures
Proposed 2019 capital budget totals $1.07M

**Fully-funded projects**
- $0.25M – BID Enhancements (TBD; some may be operating)
- $0.13M – replacements of 4 vehicles – funded via M-FY19 & M-FY20 Capital Plan
- $0.12M – masonry + skate deterrents* – funded via M-FY19 & M-FY20 Capital Plan
- $0.07M – Rings basin + vault repairs* – funded via M-FY19 Capital Plan
- $0.06M – trash+recycling barrel replacements – funded via M-FY20 Capital Plan
- $0.06M – electrical and lighting study – grants+pledges in place
- $0.05M – new parcel-related irrigation upgrades – MassDOT funded in prior period
- $0.05M – North End fountain repairs – funded via M-FY20 Capital Plan

**Investments funded with 2018 surplus**
- $0.08M – website (SBP rec)
- $0.07M – Rings fountain lights synced to water shows (10-Year Anniversary initiative)
- $0.05M – photo stanchions* & vitrine (10-Year Anniversary art installations)
- $0.04M – Carousel repairs to characters & molds
- $0.02M – meadow installation (10-Year Anniversary initiative)
- $0.01M – computers, especially for new hires (SBP rec)
- $0.01M – infrastructure for banners (10-Year Anniversary initiative)

*Work began already in 2018 with additional funding*
Key 2019 operating revenue parameters

- **MassDOT**: $0.625M for M&H ($0.25M in 2019H1 + $0.375M in 2019H2)
- **BID**: $1.25M for M&H ($0.75M in 2019H1 + $0.5M in 2018H2)
- **City**: $0.291M ($0.167M in 2019H1 + $0.125M in 2018H2) – contract not yet executed
- **Endowment draw**: $0.67M from Board-approved 4.5% draw

**Earned income forecasts:**
- Increase in Carousel from 2018 due to increase ticket price
- Decrease in Mobile Eats from 2018 due to food truck industry softness
- Decrease in Drinkeries from 2018 due to uncertainty about Dewey
- Decrease in event fees & promotions to be conservative
- Cost-of-living increase for AHP contracted care

**Philanthropic forecasts:**
- Estimates drawn from detailed prospect forecasts
- Gala+Glow forecasts consistent with historical proceeds
- Significant releases of prior-year donor-restricted revenue (esp. art)
Key 2019 operating expense parameters reflect SBP & 10-Year costs

• Maintenance & Hort & Rangers
  – Add’l Maintenance Assistant hire (SBP rec)
  – Contingency for basic maintenance contract increase due to planned reprocurement

• Public Art installations: Year of the Pig (January) + Greenway Wall mural (Spring) + Augmented Reality (Spring) + 4 Auto Show artists (Spring/Summer) + Lincoln Street Triangle mural (Fall)

• Programs: Add’l Coordinator hire (SBP rec)

• Outreach
  – Creatives Services, in conjunction with new website (SBP rec)
  – 10-Year banner initiative [plus one-time expenditure for infrastructure in Capital Budget]

• Development
  – Interim PT DoD + hiring new DoD + contingency for search consultants
  – New Major Gift Officer hire (SBP rec)
  – Database conversion planned (one-time expense, SBP rec)
  – Higher annual fund mailing expenses (SBP rec)

• Admin: new part-time HR Manager hire (SBP rec)
Balanced $6.1M operating budget proposed for 2019

Proposed Revenues, 2019
- Earned income: $1.36M
- Endowment draw: $0.67M
- Releases: $0.31M
- Contributions, Gala+Glow: $0.41M
- Contributions: $0.88M
- BID: $1.25M
- City: $0.29M
- MassDOT: $0.92M

Proposed Expenses, 2019
- Admin: $0.54M
- Development: $0.87M
- Outreach: $0.33M
- Public Art: $0.68M
- Programs: $0.74M
- Maintenance & Hort & Rangers: $2.92M

Including cash+in-kind; excludes $0.44M depreciation expense, a majority of which relates to fully-funded Carousel.
Proposed 2019 operating revenues vs. 2018

2018 revenues, approved budget

- Earned income: $1.40M
- Endowment draw: $0.64M
- Releases: $0.41M
- Contributions Gala+Glow: $0.40M
- Contributions: $0.59M
- BID: $0.75M
- City: $1.38M

Proposed 2019 revenues

- Earned income: $1.36M
- Endowment draw: $0.67M
- Releases: $0.31M
- Contributions Gala+Glow: $0.41M
- Contributions: $0.88M
- BID: $1.25M
- City: $0.29M
- MassDOT: $0.92M

Including cash+in-kind; excludes depreciation, a majority of which relates to fully-funded Carousel.
Proposed 2019 operating expenses vs. 2018

**2018 expenses, approved budget**

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<th>Category</th>
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<td><strong>Total</strong></td>
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**Proposed 2019 expenses**

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Risks in the 2019 Budget

Revenue

• With Development Department staff changes, philanthropic revenue could underperform
• The new Dewey beer garden could yield less revenue and/or permitting could challenge both beer gardens
• Economic downturn could challenge philanthropic and earned revenue
• A market downturn could lead the Board to reconsider the 4.5% investment draw

Expenditures

• Basic maintenance services contract procurement and/or heavy snowfall could result in higher costs
• Catastrophic occurrence inflicts major damage
2019 Programs Fee Schedule
Unchanged from 2017, except where highlighted

• Application Fee
  – $25 non-profit organizations
  – $100 for-profit organizations
  – $50 late fee (<30 days in advance)

• Sampling and Promotion for 10’x10’ footprint
  – $375/hour for Dewey (vs. $350)
  – $325/hour for Rowes Wharf Plaza
  – $275/hour for Wharf and NE parks
  – $150/hour for other locations
  – Volume discounts for duration and footprint

• Market Rev Share
  – 5-15% non-profit organizers
  – 20-25% for-profits organizers

• Furniture Moving: $300-$800

• Programs staff beyond hours in contract
  – $50/hr for non-profit organizations
  – $100/hr for for-profit organizations

• Damages and cleaning
  – Lawn replacement: $10/sq ft
  – Cleaning: $300/hour
  – Rights reserved to require a deposit for events over 1000 attendees, recurring events, or events using lawn area

Carousel ticket prices
• $4 per ticket (vs. $3)
• $30 for 10 tickets (vs. $25)