2020 Operating and Capital Budget presentation

Board of Directors
December 17, 2019
Executive Summary

• 2019 financial results have again beaten forecasts; even with additional projects advanced mid-year, a year-end surplus is expected

• 2019 surplus helps fund the $7.6M 2020 operating and capital budget

• Funds in-hand for proposed 2020 Capital Budget of $1.24M
  – mainly BID Enhancements (TBD) & MassDOT-funded capital repairs

• Largest-ever operating budget proposed at $6.3M for 2020
  – higher earned income, lower foundational funding
  – consistent with Strategic Business Plan, continued investment in Development capacity and in marketing

• Risk exposure in 2020 budget is typical: economic, financial, legal
Proposed 2020 capital expenditures of $1.24M, though half is unprogrammed BID Enhancements

BID Enhancements

- $0.06M: State of Good Repair study
- $0.03M: Chin Park lighting study
- $0.63M: TBD, some of which may be operating

MassDOT Capital Plan

- $0.08M: Climate Resiliency study (MassDOT-FY20)
- $0.08M: Masonry repairs (MassDOT-FY21)
- $0.05M + $0.2M: Rings control panel (funded by MassDOT-FY20 + 2019 surplus)
- $0.05M: Fountain repairs TBD (MassDOT-FY21)
- $0.05M: Trash/recycling barrels (MassDOT-FY21)

Other projects (funded by 2019 surplus, except where noted)

- $0.06M: Signature garden design for P18 with Julie Moir Messervy
- $0.06M: Accounting systems transition + network equipment
- $0.04M: P2 construction project management (reimbursed by BPDA)
- $0.03M: Removal of MSH granite hills
- $0.02M: Carousel molds replacement + new winter lights
- $0.01M: Carolyn Lynch Garden planting replacements (funded by CLG Reserve)
Key 2020 operating revenue parameters

• Foundational funding of $2M, down by $0.18M from 2019
  – MassDOT cash: $0.75M for M&H (up by $0.12M)
  – BID: $1M for M&H (down by $0.25M)
  – City: estimated at $0.24M (down by $0.05M)

• Endowment draw: $0.7M from Board-approved 4.5% draw

• Earned income up $0.26M vs. 2019 budget:
  – Increase in Mobile Eats based on proposals received
  – Increase for Drinkeries due to City Winery contract
  – Flat forecast for Carousel revenue after 2019 ticket price increase
  – Flat forecast for event fees & promotions to be conservative

• Philanthropic up vs. 2019 budget:
  – Increase in Individuals following on investments in staff, mailings
  – Conservative forecasts for Foundation, Corporate
  – Gala+Glow higher than 2019 budget but lower than 2019 actual
  – Significant releases of prior-year donor-restricted gifts (esp. art)
Key 2020 operating expense parameters reflect SBP focus on staff capacity and marketing

• Maint. & Hort & Rangers: Typical forecasts, plus season-long funding for supplemental security patrols

• Public Art
  – Installations: Augmented Reality (continuing; 12 months), Year of the Mouse (installed in January and up for 12 months) + Greenway Wall mural (Spring; 12 months) + 3 artists (Spring/Summer; varying) + Chin Park lantern/light artwork (August; 3+ months)
  – Prep for 2021 single-artist exhibit

• Programs
  – Add’l staff capacity via outsourcing Gala event coordination (charged in Development)
  – Funds for pilot effort(s) in Mary Soo Hoo
  – Another commissioned performance

• Outreach
  – Banners
  – PR/marketing consultants
  – Non-ask marketing mailing

• Development: First full year of Senior Development Consultant, Donor Relations Manager

• Admin:
  – Full-year of full support staff
  – New accounting system fees (implementation costs in Capital budget)
  – “DEI” training
$6.3M operating budget proposed for 2020

Proposed Revenues, 2020

- Earned income: $1.61
- Endowment draw: $0.70
- Releases: $0.35
- Contributions, Gala+Glow, net: $0.44
- Contributions: $0.95
- BID: $1.00
- City: $0.24
- MassDOT: $1.03

Proposed Expenses, 2020

- Admin: $0.63
- Development: $0.88
- Outreach: $0.34
- Public Art: $0.72
- Programs: $0.70
- Maintenance & Hort & Rangers: $3.10

Including cash+in-kind; excludes $0.498M depreciation expense, a majority of which relates to fully-funded Carousel.
Appendix
\$1.8M in operating surpluses have built reserves, and supported operating and capital budgets

Note: “Change in net assets from operations before depreciation” from audited financial statements
Even with add’l 2019 projects advanced at mid-year, a year-end surplus will help fund the 2020 budget.

<table>
<thead>
<tr>
<th></th>
<th>Operating</th>
<th>Capital</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019 Budgeting</strong></td>
<td></td>
<td></td>
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<tr>
<td>2018 est. surplus allocated to Capital</td>
<td></td>
<td>271,000</td>
<td>271,000</td>
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<tr>
<td>2019 revenue forecast</td>
<td>6,346,915</td>
<td>655,780</td>
<td>7,002,695</td>
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<tr>
<td>2019 expenditures forecast</td>
<td>6,029,167</td>
<td>1,008,841</td>
<td>7,038,008</td>
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<tr>
<td>2019 surplus / (deficit) forecast</td>
<td>317,748</td>
<td>(82,061)</td>
<td>235,687</td>
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<tr>
<td><strong>2020 Budgeting</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019 surplus rolled forward</td>
<td>317,748</td>
<td>(82,061)</td>
<td>235,687</td>
</tr>
<tr>
<td>2020 revenue budgeted</td>
<td>6,320,668</td>
<td>1,062,869</td>
<td>7,383,537</td>
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<tr>
<td>2020 expenditures budgeted</td>
<td>6,375,156</td>
<td>1,241,609</td>
<td>7,616,765</td>
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<tr>
<td>2020 Surplus / (deficit) forecast</td>
<td>263,260</td>
<td>(260,801)</td>
<td>2,459</td>
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</tbody>
</table>

Additional, unbudgeted projects initiated at mid-year included: replacing fountain water treatment systems; repainting Light Blades; repainting red gate and cages; signature garden design (P18); truck modifications; and Carousel lighting replacements.
Proposed 2020 operating revenues vs. 2019

2019 revenues, approved budget

Proposed 2020 revenues

$M

6.1

1.36
Earned income

0.67
Endowment draw

0.31
Releases

0.41
Contributions Gala+Glow

0.88
Contributions

1.25
BID

0.29
City

0.92
MassDOT

6.3

1.61

0.70

0.35

0.44

0.95

1.00

0.24

1.03

Including cash+in-kind; excludes depreciation, a majority of which relates to fully-funded Carousel.
Proposed 2020 operating expenses vs. 2019

2019 expenses, approved budget

<table>
<thead>
<tr>
<th>Category</th>
<th>2019 Expense</th>
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<tbody>
<tr>
<td>Admin</td>
<td>0.54</td>
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<tr>
<td>Development</td>
<td>0.87</td>
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<tr>
<td>Outreach</td>
<td>0.33</td>
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<tr>
<td>Public Art</td>
<td>0.68</td>
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<tr>
<td>Programs</td>
<td>0.74</td>
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<tr>
<td>Maintenance &amp; Hort &amp; Rangers</td>
<td>2.92</td>
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Proposed 2020 expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>2020 Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin</td>
<td>0.63</td>
</tr>
<tr>
<td>Development</td>
<td>0.88</td>
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<tr>
<td>Outreach</td>
<td>0.34</td>
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<tr>
<td>Public Art</td>
<td>0.72</td>
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<tr>
<td>Programs</td>
<td>0.70</td>
</tr>
<tr>
<td>Maintenance &amp; Hort &amp; Rangers</td>
<td>3.10</td>
</tr>
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</table>

Including cash+in-kind; excludes depreciation expense, a majority of which relates to fully-funded Carousel.
Risks in the 2020 Operating Budget

Revenue

- Potential permitting challenges for Drinkeries
- Coincident decreases from a small number of large contributors
- An economic or market downturn

Expenditures

- Catastrophic occurrence inflicts costly damage
- Legal risks in a growing enterprise
- Cost inflation
## BID funding summary for 2019 and 2020

<table>
<thead>
<tr>
<th></th>
<th>2019 actuals (est.)</th>
<th></th>
<th>2020 budget forecast</th>
<th></th>
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<tbody>
<tr>
<td><strong>For M&amp;H</strong></td>
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<tr>
<td>Revenue provided</td>
<td>$1,250,000</td>
<td></td>
<td>$1,000,000</td>
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<tr>
<td>Expenditures</td>
<td>$1,250,000</td>
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<td>$1,000,000</td>
<td></td>
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<tr>
<td>Funds rolled to next year</td>
<td>$0</td>
<td></td>
<td>$0</td>
<td></td>
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<tr>
<td><strong>For Enhancements</strong></td>
<td>Operating</td>
<td>Capital</td>
<td>Operating</td>
<td>Capital</td>
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<tr>
<td>Revenue provided</td>
<td>$250,000</td>
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<td>$500,000</td>
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<tr>
<td>Spent on P2 spruce up</td>
<td>$2,000</td>
<td>$27,131</td>
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<tr>
<td>Chin lighting study</td>
<td></td>
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<td>$3,000</td>
<td>$29,500</td>
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<td>SGR study</td>
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<td>$5,000</td>
<td>$55,000</td>
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<td>TBD projects</td>
<td>$220,869</td>
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<td>$628,369</td>
<td>$0</td>
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<td>Funds rolled to next year</td>
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