Coronavirus & 2020 Budget

Board of Directors Meeting
March 24, 2020
Reminder: Board-approved 2020 Operating Budget

**Revenues**

- MassDOT: $1.61M
- City: $0.70M
- BID: $0.35M
- Contributions: $0.44M
- Gala + Glow, net: $0.95M
- Releases: $1.00M
- Endowment draw: $0.24M
- Earned income: $6.3M

**Expenses**

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

Including cash + in-kind; excludes $0.44M depreciation expense, a majority of which relates to fully-funded Carousel.
Earned + Philanthropic Revenue ($3M or 48%) under significant threat for 2020

$6.3M Operating Revenues


Endowment draw: market drop will not significantly affect 2020 draw, which is based on 12-quarter moving average.

Releases: previously raised funds are unaffected.

Contributions (incl. Gala & Glow): Philanthropy will be challenged by market plunge, economic situation, and general uncertainty.

BID: funding agreement extends to 2023.

City: funds a % of the balance of a Trust Fund.

MassDOT: funding agreement extends to 2023.
Senior Staff have rapidly engaged in a scenario planning exercise

- Estimation of current 2020 position (vs. approved budget)

- 3 revenue scenarios
  - Earned income: social distancing ends by May 15, July 1, August 15
  - Philanthropy: high, medium, low forecasts for each donor

- Identification and prioritization of potential cuts

- Recommendation informed by FARMC key principles
  - protect staff to deliver the mission post-crisis
  - be aware of potential public/press scrutiny
  - assure flexibility given significant uncertainty
  - consider using “rainy day” reserves (~$1.9M) to help balance the budget
3 revenue scenarios range from Bad (-$0.5M) to Worse (-$1M) to Terrible (-$1.4M)

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1: Bad</th>
<th>Scenario 2: Worse</th>
<th>Scenario 3: Terrible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Est. current budget forecast</td>
<td>$215,610</td>
<td>$215,610</td>
<td>$215,610</td>
</tr>
<tr>
<td>Earned income change</td>
<td>$(361,000)</td>
<td>$(668,000)</td>
<td>$(945,000)</td>
</tr>
<tr>
<td>Philanthropy change</td>
<td>$(307,890)</td>
<td>$(504,711)</td>
<td>$(696,654)</td>
</tr>
<tr>
<td><strong>TOTAL impact before reductions</strong></td>
<td><strong>$(453,280)</strong></td>
<td><strong>$(957,101)</strong></td>
<td><strong>$(1,426,044)</strong></td>
</tr>
</tbody>
</table>

Challenging conditions may persist much longer than these scenarios.
Recommending ~$0.75M of cuts, with add’l ~$0.25M identified; minimal impact on existing staff

• Recommend immediate ~$0.75M reduction (of which $0.45M is reversible)
  – Irreversible: three fewer artworks, no light-pole banners, etc.
  – Reversible: BBB 50% for 4 months; hiring freeze + rescind offers (1 Maintenance, 2+2 Hort, 1 Devel; 9 interns); no Mary Soo Hoo improvements; no PR consultant, etc.

• Hold on ~$0.25M of additional cuts
  – e.g., postponing upgrade to new Accounting System, 50% Block by Block to year-end, no Ox artwork

• Hold on staff cuts that would impact ability to deliver the mission post-crisis
  – FYI: current payroll is ~$0.25M/month

Will offer additional Sick Leave days to those who exhaust current 7 days/year
Recommended Cuts are sufficient in Scenario 1; more cuts and/or deficits in Scenarios 2 & 3

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1: Bad</th>
<th>Scenario 2: Worse</th>
<th>Scenario 3: Terrible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact before cuts</td>
<td>$(453,280)</td>
<td>$(957,101)</td>
<td>$(1,426,044)</td>
</tr>
<tr>
<td>Recommended cuts</td>
<td>$770,507</td>
<td>$770,507</td>
<td>$770,507</td>
</tr>
<tr>
<td>Subtotal: Surplus / (deficit)</td>
<td>$317,227</td>
<td>$(186,594)</td>
<td>$(655,537)</td>
</tr>
<tr>
<td>Add'l (or reversed) cuts</td>
<td>$(317,227)</td>
<td>0</td>
<td>$350,000</td>
</tr>
<tr>
<td>TOTAL SURPLUS (/DEFICIT)</td>
<td>0</td>
<td>$(186,594)</td>
<td>$(305,537)</td>
</tr>
</tbody>
</table>

Some cuts are reversed

Reserves used (OR additional cuts made)

Additional cuts made AND reserves used

Conversations will continue with Greenway BID about Enhancements funding ($0.62M available in 2020)

Figures preliminary
Next steps

• Finalize numbers and details and begin implementation ASAP

• Monitor evolving situation

• Continue conversations
  – with Board leadership
  – at added April 14th FARMC meeting
  – with key stakeholders (e.g., BID)
  – with key donors

• Revisit for May 5th FARMC & May 12th Board meetings