

**MEADOW BROOK ESTATE OPERATING BUDGET
FOR FISCAL YEAR ENDING JUNE 30, 2019**

A Recommendation

1. **Division and Department:** Operations & Finance, Meadow Brook Estate
2. **Introduction:** Proposed budget for Meadow Brook Estate (MBE) is presented for approval for the fiscal year ending June 30, 2019. (See Attachments)

Since Board approval in December 2004, MBE has been operating under a “cultural center” model, providing public museum and educational programming and access for university, social and corporate events and activities.

3. **Previous Board Action:** The MBE CY2017 budget was approved by the Board on December 5, 2016. On December 11, 2017, the Board approved moving the budget to a July 1-June 30 fiscal year budget and for MBE to continue to operate under the CY2017 budget model until the new FY2019 budget was presented in 2018.
4. **Budget Implications:** MBE has been operating profitably since the cultural center model was adopted in CY2005, generating on average more than \$300,000 in net income annually, all revenues and non-capital expenditures considered. Significant expense increases occurred in CY2016 and CY2017, including compensation market adjustments, the addition of a security force and MBE’s assumption of the Executive Director’s compensation (previously covered by the university).

Additionally, while MBE benefitted from Matilda Wilson Fund grants totaling \$10.3M for preservation and conservation beginning in 2004, the most recent matching grant expired in 2016. A portion of the matching grant covered preservation maintenance and a percentage of part-time fundraising and curatorial compensation, which is now being absorbed by the MBE budget.

The result of these and other miscellaneous expense increases totals in excess of \$600,000 annually. The FY2019 budget indicates a deficit, which will be covered by MBE Reserves. Profitability is projected for FY2021, based on MBE staff reorganization and strategic plans focused on significant revenue growth initiatives.

5. **Educational Implications:** MBE will continue to share its architectural, art, and historical resources with Oakland University’s students and faculty (See Attachment D.)

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6. **Personnel Implications:** Compensation for FY2019 will increase by 3% from the projected FY2018 actual compensation through strategic reorganization, which was approved by the President in May of 2018.
7. **University Reviews/Approvals:** The Meadow Brook Estate Budget Report was recommended by Meadow Brook Estate Director of Administration and Finance and Executive Director and thoroughly reviewed by the Office of Budget and Financial Planning, Financial Performance Review Committee, Vice President for Finance and Administration, Chief Operating Officer and President.

8. **Recommendation:**

RESOLVED, that the Board of Trustees approve the FY2019 Budget for Meadow Brook Estate, with expenditures and transfers not to exceed the total as reflected in the attached budgets, except as set forth; and, be it further

RESOLVED, that any expenditure level in excess of the approved amount that is not funded by a direct revenue increase must have the prior approval of the President or his/her designee and those amounts shall be reported on a periodic basis to the Board of Trustees; and, be it further

RESOLVED, that the Board of Trustees authorizes the President, the appropriate Vice President, and their respective designees, to perform all acts and deeds and to execute and deliver all contracts, instruments and documents required by this resolution that are necessary, expedient and proper in connection with the FY2019 budget and the ongoing administration of the FY2019 budgets; and, be it further

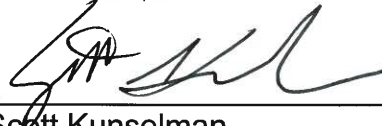
RESOLVED, that said contracts, instruments and documents shall be reviewed by and be in a form acceptable to the Vice President for Legal Affairs and General Counsel prior to execution, and be in compliance with the law and with University policies and regulations and conform to the legal standards of the Vice President for Legal Affairs and General Counsel.

9. **Attachments:**

- A. Meadow Brook Estate Budget Notes and Assumptions
- B. Meadow Brook Estate Proposed Budget – FY2019
- C. Proposed Major Capital Expenditures
- D. Meadow Brook Estate/Oakland University 2017-2018 Program Integration

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Submitted to the President
on 5/25, 2018 by



Scott Kunselman
Chief Operating Officer



John W. Beaghan
Vice President for Finance & Administration
and Treasurer to the Board of Trustees

Recommended on 5/29, 2018
to the Board for approval by



Ora Hirsch Pescovitz
President

Meadow Brook Estate

Description of Program

Meadow Brook Hall was the former home of Dodge Brothers Motor Car Company heiress Matilda Dodge Wilson and her second husband, Alfred Wilson. Built between 1926 and 1929 for \$4 million, Meadow Brook is known as the pre-eminent example of the country estate lifestyle of America's automotive aristocracy, and for its Tudor Revival architecture and vast collection of original decorative and fine arts. The Hall's 88,000 square feet and 110 rooms make it the fourth largest historic house museum in the United States and the largest in the Midwest. Meadow Brook was named a National Historic Landmark in 2012 by the National Park Service.

In a visionary act of philanthropy, the Wilsons donated the Hall, their 1,500-acre Meadow Brook Farms estate and \$2 million to Michigan State University in 1957 to form a branch campus in Oakland County. The university opened in 1959 and became an independent Michigan public institution of higher education – Oakland University – in 1970.

The Wilsons continued to live in the Hall and a surrounding 127 acres until both passed away; Alfred in 1962 and Matilda in 1967. Oakland University took possession of the Hall from the Wilsons' estate in 1971. Since that time, the building has been open to the public as a museum and cultural center, per Matilda's wishes.

The Hall is self-supporting, relying primarily on facility rental revenue, tour fees, and donations to preserve, interpret, and operate the building at a cost of thousands of dollars a day.

As the educational cornerstone of Oakland University, Meadow Brook Estate serves students, faculty, staff and an international research community as a major cultural and historical resource, a resource renowned for its architecture, scale, collections, and social history.

And, as the flagship of the campus physical plant, the former home of the university's founders functions as the community gateway to OU through public, corporate, and social events...and it serves as OU's premier facility for cultivating friends and donors and hosting high-level meetings with partners, including ceremonial milestones.

Meadow Brook Estate

In December of 2017, the Board approved MBE to change its year-end from December 31 to June 30 to be in alignment with the University fiscal year. The change improved budget projection timing with MBE's business cycle, including preparation of the budget with accurate compensation information, administrative overhead calculations and annual accounting adjustment entries; maximized staff efficiency and productivity by having one year-end instead of two; and dovetailed the MBE budget cycle with the University performance cycle. MBE was asked to continue to operate according to the revenue and expense categories and projections established in the CY2017 budget for the period January – June 2018 until the FY2019 budget was presented and approved. Attachment B shows the financial transition.

Key Performance Indicators

	<u>FY2016</u>	<u>FY2017</u>	Projected <u>FY2018</u>
Number of facility rentals	584	526	556
Number of museum visitors	21,085	22,227	23,050
Gross Facility Rental Revenue	\$2.82M	\$2.5M	\$2.67M
Museum Revenue	\$482,419	\$488,988	\$607,526
Total Revenue	\$4.33M	\$3.95M	\$4.01M

FY2018 Explanation of Major Changes

1. Fiscal year-end 2018 projected operating performance is based on actual revenue and expenses booked through March 31, 2018 and a revenue and expense forecast for the remainder of the fiscal year.
2. The "Major Capital Expenditures" for FY2018 are estimated to be \$305,648.
 - \$155,648 for a storage garage which frees up the historic Visitors Garage for interpretive use
 - \$150,000 for a perimeter fence for security and membership program development

Meadow Brook Estate

FY2018 Explanation of Major Changes (continued)

3. University Support represents funding from the University of \$9,120 to assist with costs for senior management to travel for best practice benchmarking and \$5,627 is a transfer from the President's matching funds for the All-University Fund Drive contributions to Meadow Brook Hall.

FY2019 Budget Assumptions

1. Operating revenue for FY2019 is projected to be \$27,310 more than the FY2018 projected actual revenue, based on a 5-year average of operating revenue, estimates from the Hall's catering partner and an anticipated increase in facility rental, as well as an increase in Holiday Walk, Ticketed Events and touring.
2. FY2018 gifts were higher than usual due to a large estate gift distribution of \$161,316. FY2019 proposed gift revenue is in alignment with the average of gifts and grants revenue received over a 3-year period.
3. FY2019 general fund support is expected to be \$5,500 due to the President's AUFD Fund Match. The remainder of one-time best-practices benchmarking funding from the University, \$3,880, will be expended. \$46,253 represents support for administrative overhead (\$39,590) and insurance (\$6,663) costs, to be reassessed by the Controller's Office on an annual basis. \$200,000 will cover half the cost of the entry bridge reinforcement project; the other half to be covered by MBE.
4. Compensation will increase by 3% from the FY2018 projected actual through planned merit increases and reorganization of staff positions.
5. Net loss from operations will be distributed as follows:

Operating/Maintenance Reserve	100 percent
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6. Meadow Brook Estate will be spending from Reserves to cover an operating deficit for approximately two years before returning to a positive net budget in FY21.

Performance Background

- MBH carried a \$1.5M deficit in 2004

Meadow Brook Estate

- New MBH Cultural Center Model approved by OU BOT, December 2004
- Debt paid back to university by 2008
- Positive net revenue in years 2005-17, leading to Fund balance on 12/31/17 of \$3M

Unanticipated Annual Expense Additions (\$400K)

- \$128K: Annual compensation increases to match market (Sibson initiative), 2016
- \$ 42K: Increase in Administrative Overhead charged by university for services, FY19
- \$230K: Executive Director compensation no longer covered by OU, 2017. (Had been covered by OU 2004-16, and matched by Wilson Fund grant 2008-16)

Anticipated Annual Expense Additions (\$212K)

- \$ 77K: Addition of security force, 2016
- \$135K: Wilson Fund matching grant expired in 2016, adding back into the MBE budget support of maintenance (\$100K) and a portion of fundraising and curatorial compensation (\$35K)

Total additional annual expenses: \$612K

FY2019 Budget Outlook

Despite annual gross operating revenue increases, the expenses described above, added between CY16 and FY19, have put MBE into an annual net operating deficit.

Growth Strategy

Coupled with its capital campaign strategies, MBE intends to both increase its operating endowment and operating revenue through fundraising and by adding interpretive facilities and community programming to attract more visitation, retail sales, sponsorships and facility rental activity.

Positive net operating revenue is projected to begin in FY21 by adopting the following initiatives, the totals for which are expected to be fully realized by FY24:

- \$336K gross annual revenue increases through incremental addition of 12 more weddings per year (due to an extended season through improvements to the seasonal tent)

Meadow Brook Estate

- \$110K gross annual revenue increases through facility rental sales/marketing strategies and experience-enhancing initiatives
- \$300K gross revenue increases through incremental growth of 20,000 additional visitors by re-aligning staff resources, broadening visitation options (Dodge Museum, art center, children's activity area) and aggressively pursuing innovative marketing strategies
- \$100K gross retail sales growth due to both increased visitation and online store improvements, Amazon alignment and product development
- \$36K gross revenue by increasing OU Purchased Services (departmental facility rentals) by 5% a year
- \$117K gross revenue increase through sponsorship growth and an annual car raffle
- \$109K gross increases in gifts, grants and annual memberships

Oakland University
Ancillary Activities Operating Budget
Meadow Brook Hall
Proposed Budget

Attachment B

	CY2017 BUDGET	CY2017 ACTUAL	FY2018 BUDGET	FY2018 PROJECTED	FY2019 PROPOSED
Revenue:					
Operating Revenue	\$ 3,015,651	\$ 3,283,172	\$ 3,185,250	\$ 3,272,690	\$ 3,300,000
Retail Sales	96,500	97,740	96,000	99,507	100,000
OU Purchased Services	202,085	202,086	165,309	165,309	130,775
Gifts and Grants	415,000	455,488	387,821	421,807	167,304
Investment Income	14,000	32,456	28,456	48,138	48,138
Total Revenue	<u>\$ 3,743,236</u>	<u>\$ 4,070,942</u>	<u>\$ 3,862,836</u>	<u>\$ 4,007,452</u>	<u>\$ 3,746,217</u>
Expenditures:					
Compensation	\$ 1,291,211	\$ 1,340,552	\$ 1,324,891	\$ 1,330,625	\$ 1,370,582
Supplies and Services	563,923	668,880	666,474	666,417	630,848
Food Service	1,556,982	1,639,943	1,569,098	1,611,013	1,616,197
Repairs and Maintenance	82,000	60,900	98,090	93,448	92,949
Cost of Retail Sales	31,206	43,830	43,737	44,542	52,000
Equipment	15,000	10,449	10,556	12,584	10,000
Insurance	50,000	47,890	50,000	50,148	58,666
Utilities	131,000	115,015	115,015	123,584	124,000
Debt Service	-	-	-	-	-
Overhead charged by OU	81,673	81,674	82,088	82,088	124,715
Other Transfers	-	(183,000)	-	-	-
Total Expenditures	<u>\$ 3,802,995</u>	<u>\$ 3,826,132</u>	<u>\$ 3,959,949</u>	<u>\$ 4,014,449</u>	<u>\$ 4,079,957</u>
Net Income	<u>\$ (59,759)</u>	<u>\$ 244,810</u>	<u>\$ (97,113)</u>	<u>\$ (6,997)</u>	<u>\$ (333,740)</u>
University Support:					
President's Match - All University Fund Drive	\$ 3,000	\$ 6,073	\$ 5,000	\$ 5,627	\$ 5,500
Best Practices Travel Funding	-	5,120	7,880	9,120	3,880
Overhead and Insurance	-	-	-	-	46,253
Total University Operating Support	<u>\$ 3,000</u>	<u>\$ 11,193</u>	<u>\$ 12,880</u>	<u>\$ 14,747</u>	<u>\$ 55,633</u>
Net Income with University Support	<u>\$ (56,759)</u>	<u>\$ 256,003</u>	<u>\$ (84,233)</u>	<u>\$ 7,750</u>	<u>\$ (278,107)</u>
Ending Balances prior to Major Cap. Expenditures:					
Fund Balance	3,047,008	3,359,770	2,710,735	2,802,718	2,218,963
Less: Major Capital Expenditures	210,000	206,500	315,000	305,648	400,000
University Support - Bridge	-	-	-	-	200,000
Total Ending Fund Balance	<u>2,837,007</u>	<u>3,153,270</u>	<u>2,395,735</u>	<u>2,497,070</u>	<u>2,018,963</u>

Oakland University
Meadow Brook Estate
Proposed Major Capital Expenditures
FY2019

Attachment C

Item Description	Estimated Cost
Bridge Reinforcement	400,000
FY2019 Total	<u>\$ 400,000</u>

Meadow Brook Estate/Oakland University 2017-18 Program Integration

STUDENT INVOLVEMENT

Internships

- 4 students enrolled in Art & Art History, Music, Theatre & Dance or History utilized annually as curatorial research and exhibit assistants, including one paid assistantship position.
- 1 student employed as paid curatorial intern
- 1 student participated in a special project to replicate an original doll outfit for Meadow Brook's Adopt-an-Artifact program at Knole Cottage
- 2 Environmental Sciences students hired through SSCC for 2018 woodland restoration mapping project

Part-Time Employment

- Approximately 30-35 students employed at any given time in part-time capacities (docents, security, museum shop, facilities maintenance, youth programs, Archives)
- Part-time food service and event assistance employment opportunities routinely offered to students

Meadow Brook Writing Project

- 6 one-week-long summer writing workshop day camps for area youth in partnership with the OU College of Arts & Sciences writing program
- 250 participants in 2017, program began with 150 in 2010
- In addition to OU staff and area teachers, 4 OU students worked as Education Assistants
- Camps continue to gain national attention as a model program

OU Academic Departments

- Class projects/sessions hosted by MBE in 2017-2018 included: History, Sociology, Honors College, Business, Continuing Education, Writing & Rhetoric, and Galileo Institute.
- Annually, Director of Marketing and Curator answer OU Journalism class questions

First-Year students' evening mansion visit

- Offered by Student Affairs for new first-year students during Welcome Week with hundreds in attendance

Zombie Walk

- Offered by the Residence Hall Association, Zombie Walk is an annual event where volunteers dress up as zombies and scare students on a trail in the woods by Meadow Brook Mansion; the entire walk is centered around stories of MBE

Parent Orientation

- Complimentary tours offered to parents as well as tours for prospective students throughout the year, over 500 redeemed in 2017

Meadow Brook Ball

- Two student formals held at MBE by Student Affairs in Winter 2017
- Hundreds of students participate...popularity requires tickets through a lottery

Honors College

- Spring 2017 Downton Abbey Class held at Meadow Brook. MBE Curator was a special lecturer for the class.
- In September of 2017, Honors College class on Handel came in for a special class teaching the history of organ music, seeing our organ "behind-the-scenes" and allowing the professor to play Handel on our 4,700 pipe Aeolian organ

College of Arts & Sciences

- MBE Curator hosted a special session about restoration work and design for a set design class.
- Allowed OU photography class to hold three class sessions at Meadow Brook, with the unparalleled opportunity to take flash photos behind-the-ropes. OU Communications & Marketing took photos of the students for an "outside the classroom" story.

Holiday Walk

- OU men's and women's track teams provided three full days of volunteer services, assisting with decoration set-up

Leadership Oakland University

- The Garden Club will be donating half of the plants left over from their annual perennial sale to the Leadership Oakland class project (2018).

GENERAL UNIVERSITY INTERACTION

Touring

- Discounted museum touring for students (free), faculty, staff, and Beaumont doctors
- OU Night at Holiday Walk – discounted tickets for faculty, staff, alumni and their families
- Discounted Group Tour & Lunch packages for Meadow Brook Theater groups

- Twice a year, special tours are given to students enrolled in English as a Second Language courses at Oakland University

Facility Use

- MBH discounts school/departmental meetings, receptions, dinners, award ceremonies
- Academic Affairs facility rental waiver for one conference annually
- Donor cultivations
- University events, signings, etc.
- Facility rental discounts offered to all faculty, staff, students & alumni

Meadow Brook Greenhouse

- Collaborations through plant purchases, Garden Club activities
- MBH purchases/rents plants from the Greenhouse for events & facility rentals

Brooksie Way

- Collaboration with OU & race organizers in Fall 2017 to use MBE roadways/grounds

Homecoming

- General touring made available to alumni reunion participants during Homecoming weekend
- Created a special exhibit for Homecoming weekend and the alumni gathering at Meadow Brook, at the request of OU Alumni Engagement.

OU TV

- Hosted and supplied the speakers for three videos done for OUTV, one on Meadow Brook's gardens and two on the histories and current uses of Knole Cottage and Danny's Cabin.

Cars & Coffee Event

- Brought historic Dodge truck to student-led Cars and Coffee event, March 2017

Arbor Day Celebration

- Served as a requirement for OU to receive the "Tree Campus USA" designation. Along with several MBE staff and volunteers, the OU grounds department provided assistance, as well as 7 OU employee volunteers.

Donations

- Donated more than 115 tour tickets to University departments including Alumni Relations, School of Education, OU new faculty, etc.
- Donated MBE merchandise and unique MBE experiences to various OU departments including Athletics for their fundraising purposes