

**MEADOW BROOK ESTATE OPERATING BUDGET
FOR FISCAL YEAR ENDING JUNE 30, 2021**

A Recommendation

1. **Division and Department:** University Advancement, Meadow Brook Estate
2. **Introduction:** The proposed budget for Meadow Brook Estate (MBE) is presented for approval for the fiscal year ending June 30, 2021.

The ancillary activity presented represents an operation connected with and in support of the educational mission of Oakland University (University). Each ancillary budget is presented in a similar format, using common terminology and revenue, expense, and University Support categories. The “all funds” budget model is used to construct the proposed budget. The all funds model provides a comprehensive picture of the financial activities of each unit. This format depicts operating and capital transactions in the General Fund, Auxiliary Fund, Designated Fund, Expendable Restricted Fund, and Plant Fund. Gifts are included, but the fund balances in permanent endowments are not included as there is no discretion with regard to their use. Distributions from endowments are included.

3. **Previous Board Action:** On June 10, 2019, the Board of Trustees (Board) approved the FY2020 budget for MBE.
4. **Budget Implications:** See the program description for budget implications.
5. **Educational Implications:** See the program description for educational implications.
6. **Personnel Implications:** See the program description for personnel implications.
7. **University Reviews/Approvals:** The Meadow Brook Estate budget was approved by the Executive Director of Meadow Brook Estate, reviewed by the Budget and Financial Planning office, Financial Performance Review Committee, Vice President for University Advancement, Vice President for Finance and Administration, and President.
8. **Recommendation:**
RESOLVED, that the Board of Trustees approve the FY2021 Budget for Meadow Brook Estate, with expenditures and transfers not to exceed the total as reflected in the attached budget, 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

**Meadow Brook Estate Operating Budget
For Fiscal Year Ending June 30, 2021
Oakland University
Board of Trustees Formal Session
June 15, 2020
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RESOLVED, that subject to satisfaction of the requirements set forth in all applicable Board of Trustees policies, the Board of Trustees authorizes the President, the Vice Presidents, 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 FY2021 budget and the ongoing administration of the FY2021 budget; and, be it further

RESOLVED, that any and all such 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. Description of Meadow Brook Estate Budget Notes and Assumptions
- B. Meadow Brook Estate Proposed Budget – FY2021
- C. Proposed Major Capital Expenditures

Submitted to the President
on _____, 2020 by

Michael J. Westfall
Vice President for University Advancement

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

Recommended on _____, 2020
to the Board of Trustees for approval by

Ora Hirsch Pescovitz, M.D.
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

Key Performance Indicators

	<u>FY2018</u>	<u>FY2019</u>	<u>Projected FY2020</u>
Number of facility rentals	543	523	374
Number of museum visitors	23,063	29,704	23,267
Gross Facility Rental Revenue	\$2.78M	\$2.71M	\$1.7M
Museum Revenue	\$639,638	\$794,345	\$727,137
Total Revenue	\$4.37M	\$4.19M	\$2.95M

FY2020 Explanation of Major Changes

1. Fiscal year-end 2020 projected operating performance is based on actual revenue and expenses booked through March 31, 2020 and a revenue and expense forecast for the remainder of the fiscal year that assumes no more facility rental or museum activity through June 30, 2020 due to the facility closure caused by the coronavirus pandemic.
2. A net revenue decrease of 27% below the FY2020 budget is anticipated primarily due to the pandemic shutdown. Gross revenue losses of \$1,071,561 include:
 - \$132,395 Cancelled facility rental as of 5-11-20
 - \$552,234 Postponed facility rental as of 5-11-20
 - \$300,000 Estimated facility rental losses due to losing all tentative business as of mid-March, as well as the loss of potential business and the loss of additional revenue increases on booked business
 - \$86,932 Actual and estimated losses due to cancelled community events, daily tours, group tours, related losses in retail sales, and reduced investment income distributions
3. Other Transfers in the amount of \$71,985 represents:
 - \$111,048 transfer of reserves to endowment
 - (\$19,415) refund from FY19 masonry repairs project
 - (\$19,695) refund from FY19 bridge reinforcement project
 - \$47 tour revenue contribution to OU's Bahamas hurricane Dorian relief

4. The "Major Capital Expenditures" for FY2020 are estimated to be \$354,262.
 - \$265,606 for the Holiday Walk 2020 light show investment*
 - \$50,000 for Family Garage renovations, directly supported by a gift of equivalent value received in FY2019
 - \$27,820 for gutter repairs
 - \$10,836 for boiler improvements
5. University Support in the amount of \$44,106 represents:
 - \$36,297 to support administrative overhead increases
 - \$7,809 from the President's matching funds for the All-University Fund Drive contributions to Meadow Brook Hall.

FY2021 Budget Assumptions

1. Operating revenue for FY2021 is projected to be \$1,141,091 more than the FY2020 estimated actual operating revenue, which was severely impacted by the pandemic shutdown in the fourth quarter. A projected infusion of \$679,000 in Holiday Walk light show revenue during FY2021 will be tempered by anticipated decreases in facility rental, ticketed community events and touring during the first quarter of the fiscal year due to a graduated post-pandemic reopening.
2. Proposed FY2021 gift revenue is in alignment with the average of gifts and grants revenue received over a 3-year period, as well as the addition of a new five-year \$200,000/year matching grant provided by the Matilda Wilson Fund, commencing in FY2021.
3. Proposed FY2021 retail sales revenue is projected to be \$160,865 more than the FY2020 projected actual retail sales revenue, based on sales projections for the Holiday Walk light show.
4. FY2021 University Support projection in the amount of \$206,000 represents:
 - \$200,000 for the Hall's investment into the Holiday Walk light show as a first-year match for the Wilson Fund grant.
 - \$6,000 from the President's matching funds for the All-University Fund Drive contributions to Meadow Brook Hall.
5. Insurance is estimated by OU administration to increase 30% over the FY2020 actual.

FY2021 Budget Assumptions (continued)

6. Major capital expenditures include \$80,000 for Family Garage conversion into a Welcome Center (offset by designated gifts of same received in FY20) and \$654,343 for the remainder of the initial investment into the Holiday Walk light show.
7. Any net loss from operations will be funded as follows:

Operating/Maintenance Reserve	100 percent
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* Holiday Walk Light Show Expansion

Beginning in November/December 2020, Meadow Brook will be presenting to the public a major expansion of its popular Holiday Walk with the creation of an outdoor light show featuring half a million lights arrayed in trees, sculptures and themed areas surrounding the mansion. The major investment, funded by Meadow Brook's reserve in Fiscal Years 2020 and 2021, is anticipated to create significant annual net revenue for the operation. On December 11, 2019, the MBE leadership team presented the Holiday Walk light show plan and budget to President Pescovitz and obtained approval to exceed the FY2020 budget by spending up to \$24,220 within operations for necessary light show operating expense deposits, as well as up to \$340,435 on major capital expenditures.

Budget Outlook

Coupled with its capital campaign strategies, MBE intends to both increase its operating endowment and operating revenue through fundraising (which to date has totaled in excess of \$5 million in gifts and grants) and by adding interpretive facilities and community programming, including the Holiday Walk outdoor expansion – all of which will attract more visitation, retail sales, sponsorships and facility rental activity.

Prior to the coronavirus pandemic shutdown, positive net operating revenue was projected to begin in FY2021 but due to this setback, it is projected to begin in FY2022.

Oakland University
Ancillary Activities Operating Budget
Meadow Brook Estate
Proposed Budget - All Funds
FY2021

	FY2019 ACTUAL	FY2020 BUDGET	FY2020 ESTIMATED ACTUAL	FY2021 PROPOSED BUDGET
Revenue:				
Operating Revenue	\$ 3,509,323	\$ 3,525,500	\$ 2,425,517	\$ 3,566,607
Retail Sales	127,702	115,000	113,035	273,900
OU Purchased Services	130,775	136,098	136,098	72,671
Gifts and Grants	324,268	176,300	215,400	433,360
Investment Income	96,729	80,000	66,304	60,000
Total Revenue	<u>\$ 4,188,798</u>	<u>\$ 4,032,898</u>	<u>\$ 2,956,354</u>	<u>\$ 4,406,538</u>
Expenditures:				
Compensation	\$ 1,321,957	\$ 1,494,908	\$ 1,369,152	\$ 1,523,880
Supplies and Services	826,134	669,493	601,578	955,574
Food Service	1,679,207	1,671,334	1,062,713	1,425,541
Repairs and Maintenance	49,158	56,888	35,303	51,780
Cost of Retail Sales	72,390	59,800	60,556	135,668
Equipment	16,015	11,527	7,429	16,066
Insurance	43,823	48,221	52,532	67,785
Utilities	132,173	129,000	126,936	131,200
Debt Service	-	-	-	-
Overhead charged by OU	124,715	185,708	185,708	185,533
Other Transfers	(20,574)	-	71,985	-
Total Expenditures	<u>\$ 4,244,997</u>	<u>\$ 4,326,879</u>	<u>\$ 3,573,892</u>	<u>\$ 4,493,027</u>
Net Income	<u>\$ (56,200)</u>	<u>\$ (293,981)</u>	<u>\$ (617,538)</u>	<u>\$ (86,488)</u>
University Support:				
President's Match - All University Fund Drive	\$ 6,886	\$ 6,000	\$ 7,809	\$ 6,000
Overhead & Insurance	39,590	36,296	36,297	-
Best Practices Travel Funding	3,134	-	-	-
Total University Support	<u>\$ 49,610</u>	<u>\$ 42,296</u>	<u>\$ 44,106</u>	<u>\$ 6,000</u>
Net Income with University Support	<u>\$ (6,590)</u>	<u>\$ (251,685)</u>	<u>\$ (573,432)</u>	<u>\$ (80,488)</u>
Ending Balances prior to Major Cap. Expenditures:				
Fund Balance	\$ 2,649,561	\$ 2,197,876	\$ 1,876,129	\$ 1,441,379
Less: Major Capital Expenditures	400,000	80,000	354,262	734,343
University Support - Bridge	200,000	-	-	-
University Support - Wilson Fund Grant Match	-	-	-	200,000
Total Ending Fund Balance	<u>\$ 2,449,561</u>	<u>\$ 2,117,876</u>	<u>\$ 1,521,867</u>	<u>\$ 907,036</u>

**Oakland University
Meadow Brook Estate
Proposed Major Capital Expenditures
FY2021**

Item Description	Estimated Cost
Holiday Walk Light Show Investment	\$ 654,343
Family Garage Renovation	80,000
FY2021 Total	<u><u>\$ 734,343</u></u>