

# Summary

## *Market Considerations*

- Hakone Estate and Gardens is easily accessible from a very large and prosperous market of over 4.2 million people;
- The bulk of the primary market for Hakone Estate and Gardens lies outside the City of Saratoga
- Networking, partnership development and marketing should focus on the entire South Bay area
- There should be good potential for above average fees for admissions, event rentals and education programming, as well as for donations;
- Access for those with lower incomes should also be an important consideration, particularly children
- The number of young people within the market area will grow only modestly, whereas boomers (45-64) and retired (65+) will grow substantially
- There should be substantial opportunities to encourage donations as family wealth increases and retirement approaches; there will also be a growing opportunity for building the volunteer pool
- Area tourists are an excellent market for Hakone Estate and Gardens; these visitors look for a unique, authentic, good quality experience and are willing to pay relatively high fees

## *Projections and Recommendations*

- Hakone Estate and Gardens is a significant cultural and botanical attraction in the South Bay area and is unique in that it is not part of a larger facility such as a city park; there is substantial potential to increase its visibility and reputation and to increase attendance and revenue.
- Several other West Coast Japanese gardens have annual attendance of 65,000 to 300,000. For analysis purposes, Hakone Estate and Gardens attendance is projected to increase from the current 35,000 per year to 75,000 per year by Phase 3; membership and event activity are projected to increase as well.
- Facility rentals for weddings and other events provide a substantial portion of the Garden's revenue.
- While event revenue should be enhanced as the Master Plan is implemented, other sources, such as memberships, gate revenue, retail, donations and grants should be bolstered as well.
- The Garden should pursue corporate and foundation grants to fund a more substantial educational program, focusing in particular on school-age children
- Budget projections corresponding to the three phases are provided, each showing projected increases in revenue, staff and other operating expenses
- The Garden should build an endowment to assist with operating expenses; this could be augmented with a sinking fund to assist with facility maintenance and renovation

# Market Review

The following are primary considerations regarding current and future market conditions that are pertinent with regard to attendance, events and the potential for generating revenue; a summary and selected recommendations appear at the end of the section.

## Demographics

Hakone Estate and Gardens is advantageously located in one of the most dynamic and desirable markets in the United States, offering valuable opportunities for growth and stability. Its primary market, which here is defined as the four-county area surrounding the southern portion of San Francisco Bay, includes over 4.2 million people, nearly all within 35 miles of the facility, a relatively easy day trip. This does not include the City of San Francisco. About 2.3 million within this area live within 20 miles of Hakone Estate and Gardens. The city of Saratoga, the immediate location of the facility, includes about 30,000 residents.

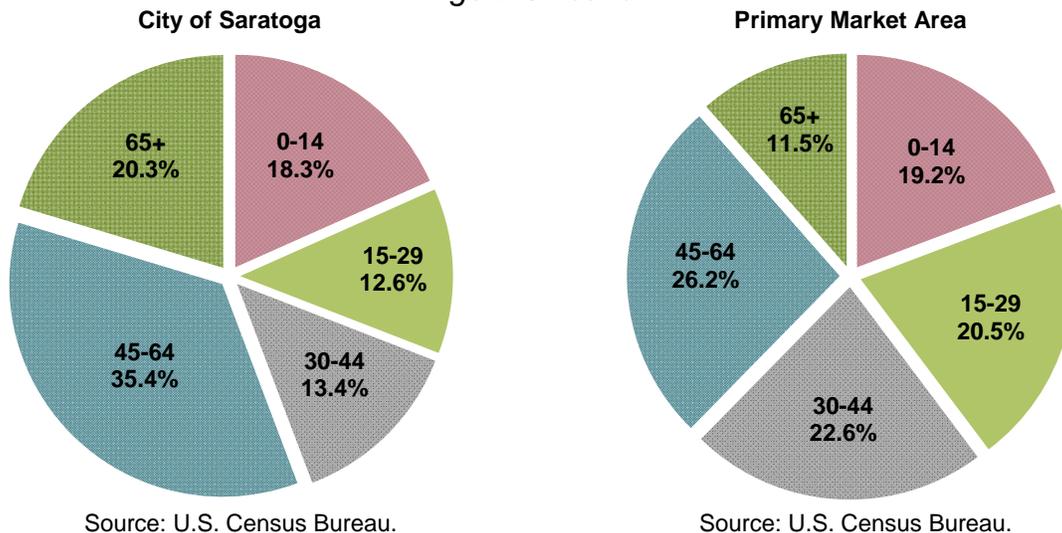


	Population 2010	% of State Population
20mi buffer	2,256,855	6.1%
35mi buffer	3,832,149	10.3%
City of Saratoga	29,926	0.1%
Santa Clara County	1,781,642	4.8%
Market Area	4,272,746	11.5%
California	37,253,956	100.0%

## Age

Within the City of Saratoga nearly one of five residents are age 65+, about double the average for the primary market area. See the figures below. Accordingly, the market area has a higher proportion of younger residents, in particular families with children. Residents of retirement age serve as a good pool for recruiting volunteers.

### Age Distribution

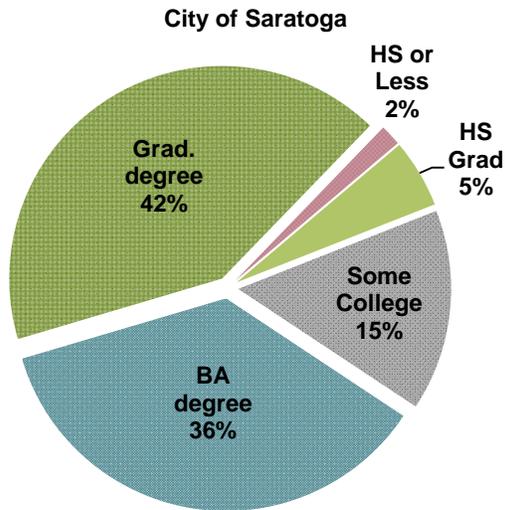


## Education

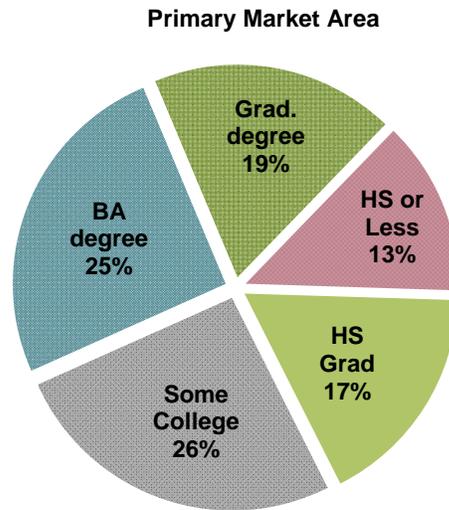
Saratoga residents are highly educated, with nearly four in five possessing a bachelors or advanced degree. See the figure below. Over two in five have a graduate or professional degree. While not so highly educated, the primary market area still includes a high proportion of residents with bachelors degrees or more – 44% -- and a substantial proportion with at least some college education.

### Education Attainment

*Population 25yo and older*



Source: U.S. Census Bureau.

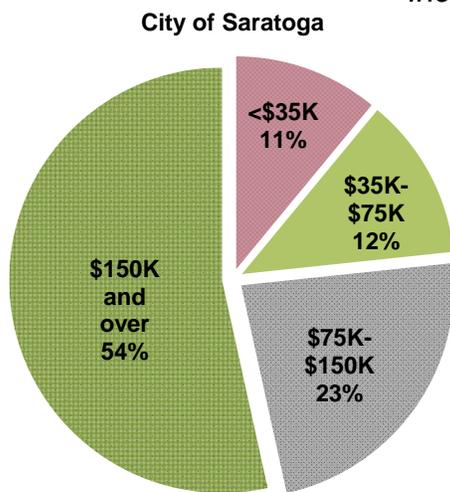


Source: U.S. Census Bureau.

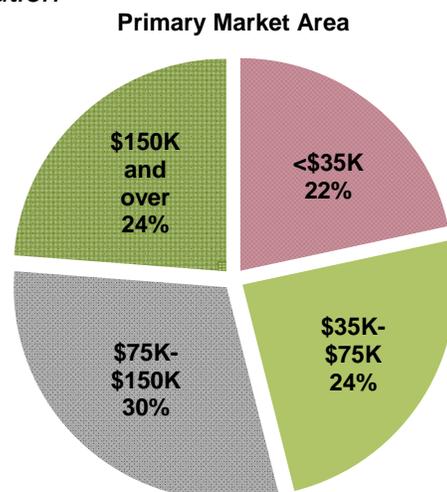
*Income*

Average household incomes in Saratoga are substantial, with over half earning \$150,000 or more per year. See the figure below. In comparison, market area households earn less, although still substantial by national standards.

*Income Distribution*



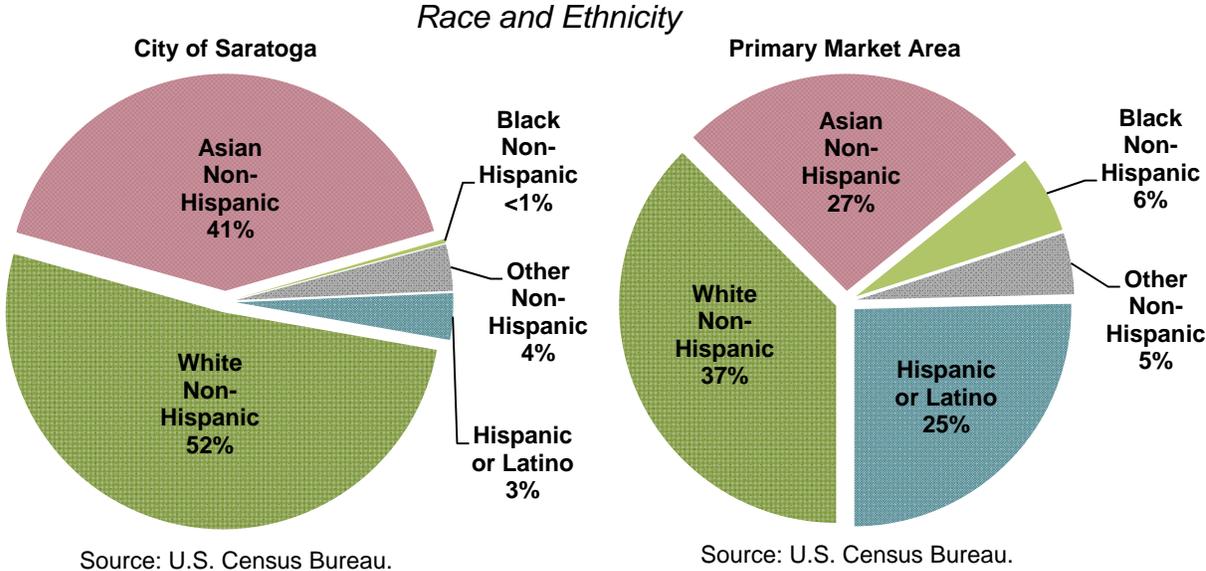
Source: U.S. Census Bureau.



Source: U.S. Census Bureau.

*Ethnicity*

With regard to ethnicity, as defined by US Census categories, the City of Saratoga is about evenly split between white, non-Hispanic residents and others, with the bulk of the remaining residents being Asian non-Hispanic. See the figure below. In comparison, the primary market, while still including a substantial portion of residents with Asian ancestry, has a much higher proportion of Hispanic residents – one quarter of the total – and a higher proportion of African Americans. The high proportion of Asian ancestry residents in Saratoga and the primary market area suggests good potential for advancing the mission and objectives of Hakone Estate and Gardens.

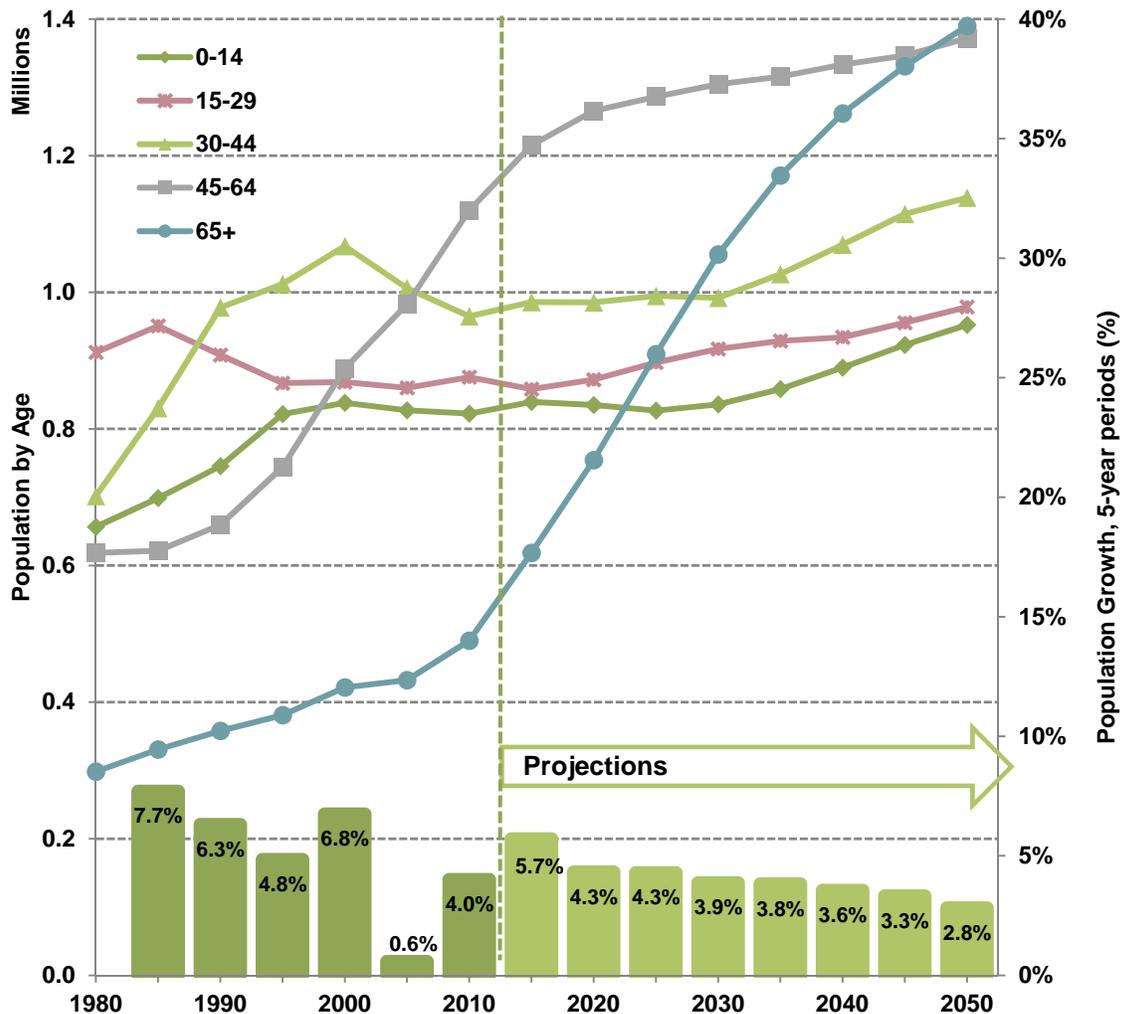


**Population Projection**

Looking forward, population should increase in the primary market area, enhancing the opportunity for attracting more attendees to Hakone Estate and Gardens. The lower portion of the figure below shows population growth from 1980 to 2010 on the left-hand portion of the graphic, indicating growth rates of between 4% and 7% per five-year period, except for one. Projected population in the current period is over 5%, tapering down to around 3% over the next several decades.

Age dynamics within this population are particularly interesting, shown in the upper portion of the figure. The past several decades, shown to the left of the vertical dashed line, has been characterized by the rapid growth of the 45-64 age category, the “aging boomers.” Growth in younger age categories has been relatively flat in recent years, but growth in the 65+ category has been accelerating.

*Population by Age: 1980-2050p  
Primary Market Area*



Source: State of California, Department of Finance, State and County Population Projections by Race/Ethnicity, Detailed Age, and Gender, 1970–1989, 1990–1999, 2000–2010, 2010–2060; U.S. Census Bureau; Census 2000 Summary File 1; Census 2010 Summary File 1

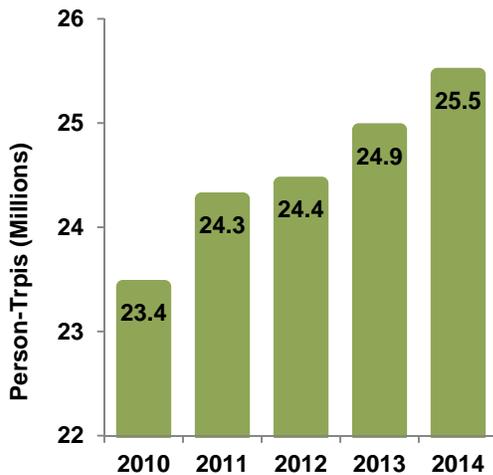
Looking forward, the boomer category will continue to grow, although more slowly, and will remain the largest single age category in the market area for some time. Those 65 and over, however, will increase rapidly, and within several decades will be the largest category in the market area. Younger categories will grow only modestly.

**Travel and tourism**

Travel to the South Bay area by visitors from elsewhere in California and from out of state represents a good market for Hakone Estate and Gardens, which is one of only a few visitor destinations in the Santa Clara County area. This market has been growing

steadily, as evident from the figure below. As Hakone Estate and Gardens develops further as a cultural, educational and recreational destination its visibility to visitors from out of the area will grow, increasing the potential for more attendance from this important segment. Area visitors are often less sensitive to admission and other fees than are residents, and can make good retail purchases.

*Travel and Tourism Volume, Four-County Region*



**Summary of primary market considerations:**

<b>Primary Finding</b>	<b>Implications</b>
Hakone Estate and Gardens is easily accessible from a very large and prosperous market of over 4.2 million people; the bulk of the primary market for Hakone Estate and Gardens lies outside the City of Saratoga	Networking, partnership development and marketing should focus on the entire South Bay area; the bulk of population growth will occur outside the City of Saratoga
The market area population, particularly that which is located in Saratoga, on the average is highly educated and enjoys good incomes; there is a substantial portion with relatively low incomes however	There should be good potential for above average fees for admissions, event rentals and education programming, as well as for donations; access for those with lower incomes should also be an important consideration, particularly children
The number of young people within the market area will grow only modestly	While young people are a particularly important segment for the Garden’s education programming, the objective should be to penetrate those that are there, rather than rely on growth of the market

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Boomers (45-64) and retired (65+) will grow substantially

There should be substantial opportunities to encourage donations as family wealth increases and retirement approaches; there will also be a growing opportunity for building the volunteer pool

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South Bay visitors will continue to increase

Area tourists are an excellent market for Hakone Estate and Gardens; these visitors look for a unique, authentic, good quality experience and are willing to pay relatively high fees

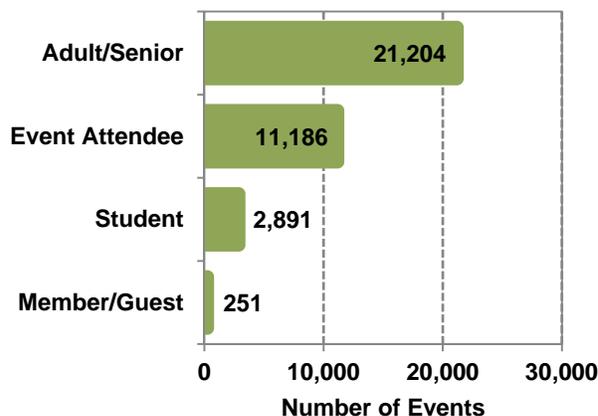
# Operations Analysis

In order to assess current operations at Hakone Estate and Gardens, focusing particularly on attendance and events, we analyzed an available activities database of Fiscal Year 2014, allowing a detailed look at event patterns and associated revenues. Other data on calendar 2014 attendance was available as well. This information is useful for preparing financial and other projections.

## Attendance

Total attendance amounted to about 35,000 people, the largest portion (about 22,000) was gate attendance and nearly 11,000 were event attendees. The 2,500 or so students appear to be a mix of students in groups and student-age gate admissions. The data show little attendance by members; this may be due to members counted among gate attendees or simply entering the garden on their own.

**Annual Attendance by Category  
2014**

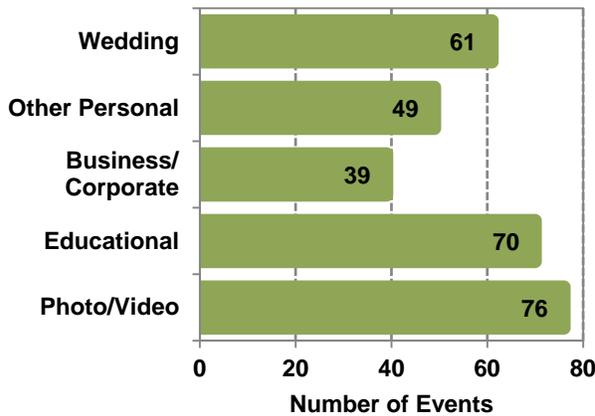


## Events

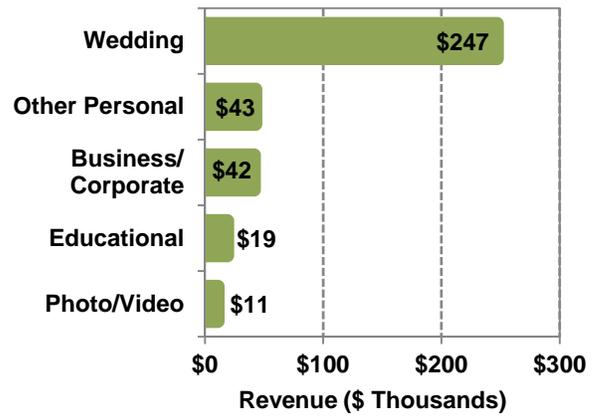
Total events for the year amount to 225, including 70 educational events. The most common are photo or video visits, typically associated with a wedding. These are relatively simple activities that require only limited staff effort. Personal, wedding and corporate events are much more complex and, if a reception is involved, require extensive staff time. Educational events consist of a variety of tours, demonstrations and workshops, often conducted by docents or by contracted staff.

Event revenue derives primarily from weddings, due substantially to the relatively high fees involved. Educational events contribute relatively little revenue, which is appropriate given the significant role these events play in fulfilling the Garden's mission.

**Number Events by Type  
FY 2014**



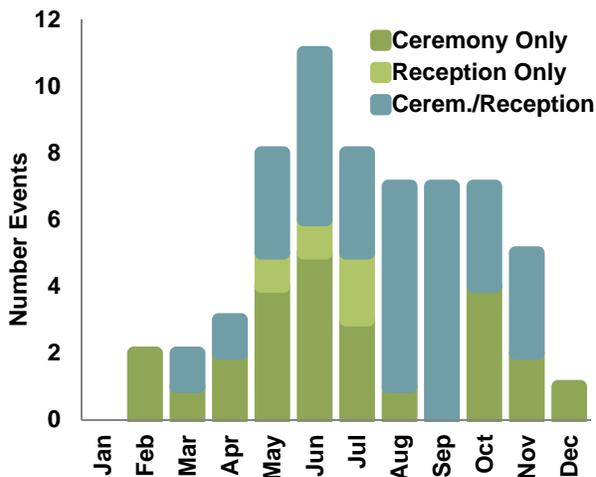
**Revenue by Event Type  
FY 2014**



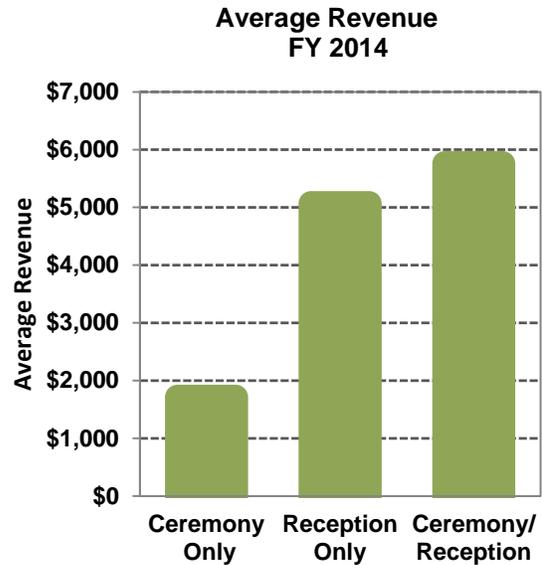
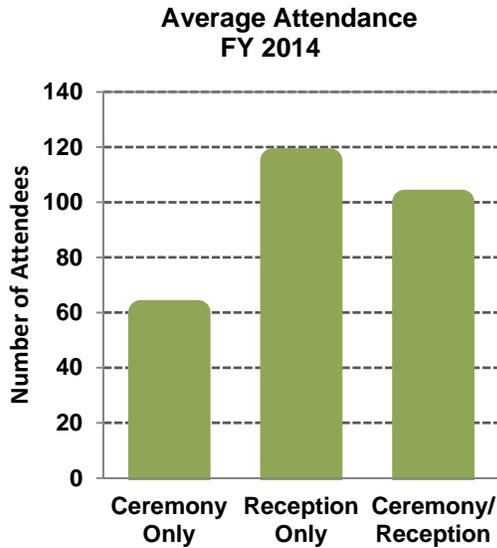
## Weddings

Weddings occurred in all but one month, with the largest portion in May, June and July, with continuing activity through October. Weddings during June averaged about 2.5 per week, or nearly one per day for Friday through Sunday. If wedding activity is to increase it should be spread to other months to the extent possible. Increased capacity for indoor events would allow more events during the remainder of the year.

**Wedding Events by Month  
FY 2014**



Average size for weddings and receptions is between 100 and 115, or 60 for a wedding only. Some of these are larger events however, ranging as high as 180 people. A number of larger events are around 150, which seems like a workable size for the facilities Hakone Estate and Gardens can offer. Revenue for weddings is good, particularly for those that include a reception.



### Personal Events

The most common personal events are memorial services, family events such as reunions, and birthday parties. Average attendance for these events ranges from about 50 to 80, size that is consistent with the indoor space available at Hakone Estate and Gardens.



Average revenue ranges from about \$600 to somewhat over \$1,000 per event; note the comparison with average revenue for weddings.

**Personal Event Average Attendance  
FY 2014**



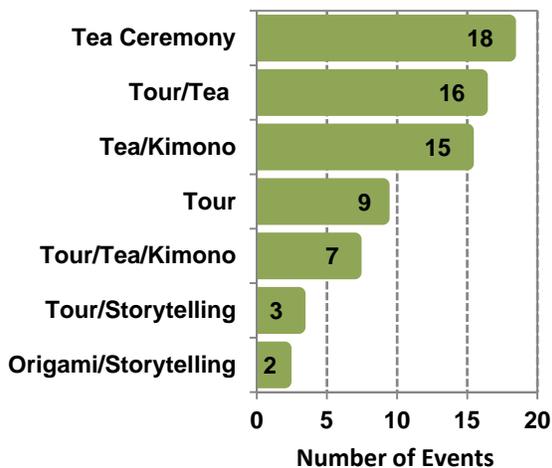
**Personal Event Average Revenue  
FY 2014**



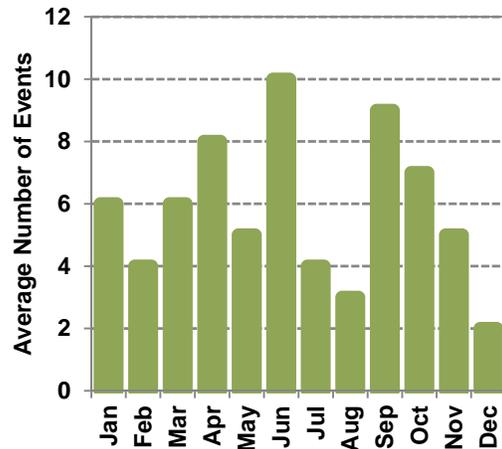
### Educational Events

These events range from tea ceremonies, garden tours, demonstrations, workshops and storytelling, often combined in various ways. These events occur throughout the year – more so than weddings – and show a low point in July and August.

**Educational Events  
FY 2014**

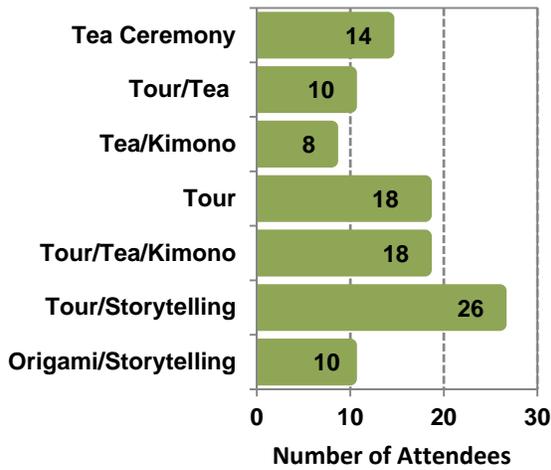


**Educational Events by Month  
FY 2014**

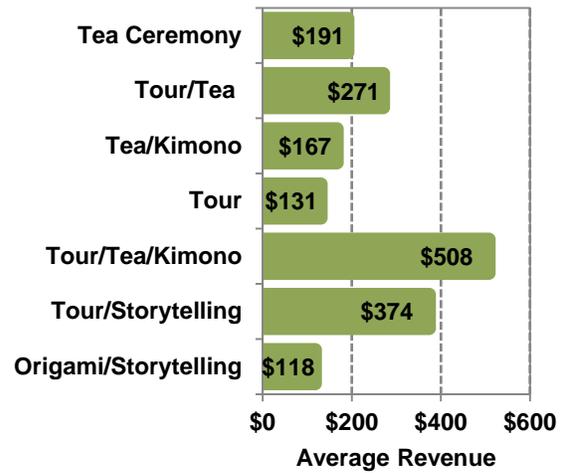


Average attendance at education events is much smaller than at other events, ranging from seven to about 25. Revenue is modest.

**Educational Events Average Attendance  
FY 2014**



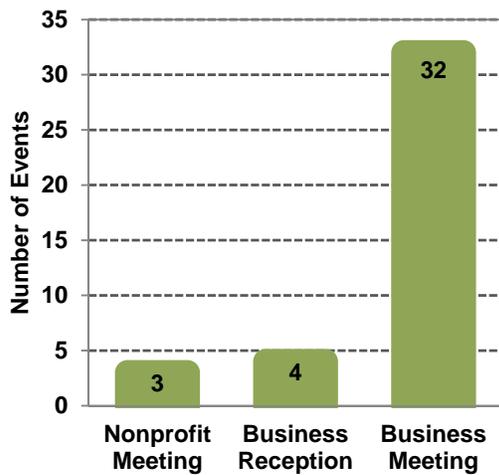
**Educational Events Average Revenue  
FY 2014**



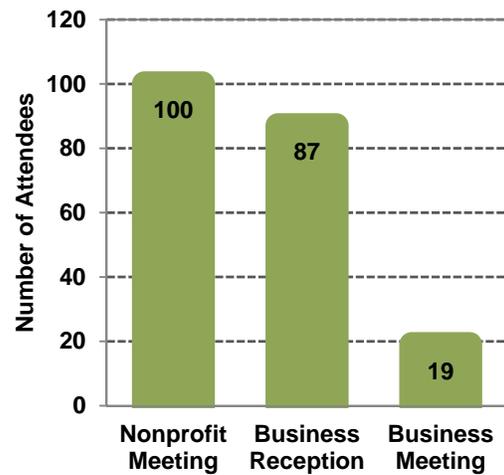
## Business Events

The bulk of business meetings are indoor events averaging about 20 people, with some larger and involving an outdoor reception of around 100. Several nonprofit organization meetings are included in this category, which are about the same size as the average business reception but typically do not involve food service.

**Business Events  
FY 2014**

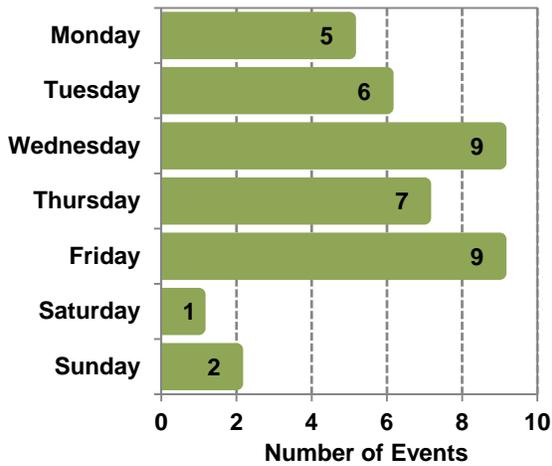


**Business Events Average Attendance  
FY 2014**



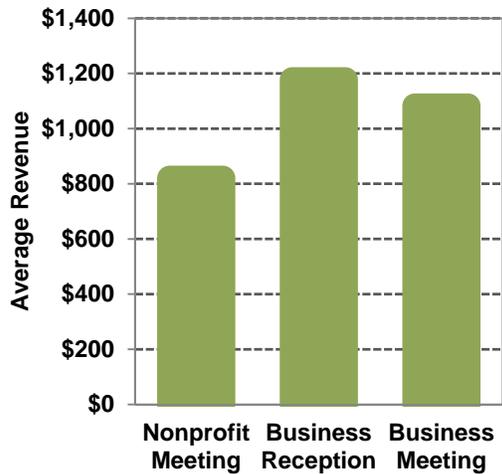
Most business meetings occur during the week, a useful complement to weddings, which are largely weekend affairs.

**Business Events by Day of Week  
FY 2014**

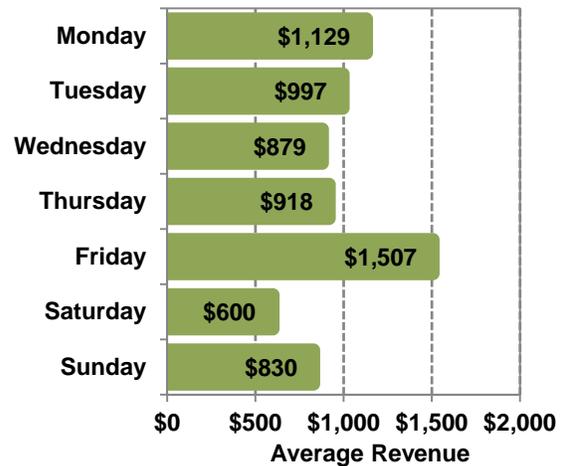


Average revenue is between \$800 and \$1,200, somewhat higher than is typical for personal events but substantially lower than for weddings.

**Business Events, Average Revenue  
by Event Type, FY 2014**



**Business Events, Average Revenue  
by Day of Week, FY 2014**



## Comparable Facilities

While Hakone Estate and Gardens is unique in many respects, reviewing other comparable garden facilities provides useful perspective on operations, finances and pricing. The review takes three perspectives: Japanese gardens specifically, public gardens in general, and facilities that offer space rental for weddings. For the first two the focus extends to the West Coast; comparable wedding facilities are limited to those in the immediate San Jose and Santa Clara area, including Saratoga.

### **Japanese Gardens**

West Coast Japanese gardens range from well established, stand-alone public facilities such as the Portland Japanese Garden and Hakone Estate and Gardens, to a variety of facilities that operate as a portion of larger facilities, including public gardens and parks, universities and community facilities. The Seattle Japanese Garden, for example, is situated as part of the Washington Park Arboretum, and the Japanese Friendship Garden in San Diego is part of Balboa Park. One popular facility, the Japanese Tea Garden, is a commercial concession within Golden Gate Park in San Francisco. In addition, some larger public Gardens, such as Huntington Botanical Gardens and Descanso Gardens in the Los Angeles area, have Japanese garden sections. The selection of gardens selected for this project appears in the table below.

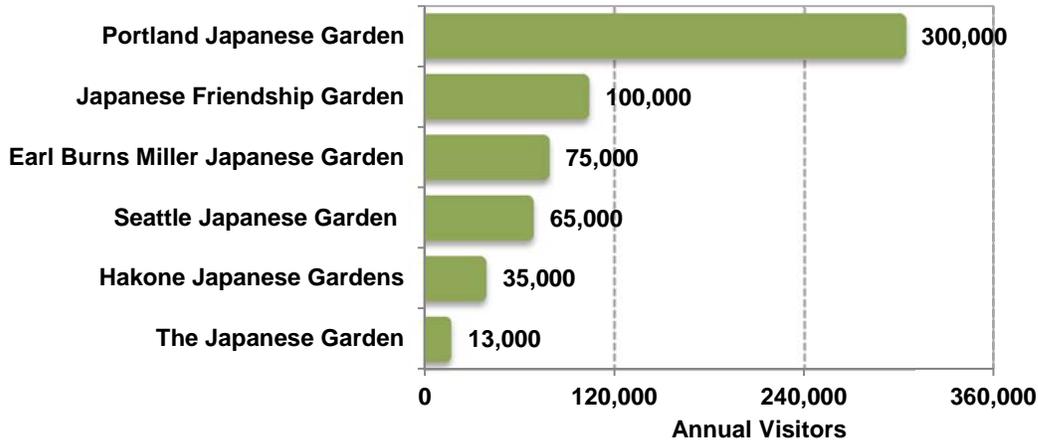
## Comparable Japanese Gardens

Facility	Location	Ownership	Founded	Size (acres)	Unique Features
Portland Japanese Garden	Portland OR	Private nonprofit	1967	6	Pavilion, expansion planned
Japanese Friendship Garden	San Diego CA	Private nonprofit	1979	11	Within Balboa Park; amphitheater; expansion underway
Earl Burns Miller Japanese Garden	Long Beach CA	CA State Univ., Long Beach	1981	1.3	Sculpture; university and cultural events
Seattle Japanese Garden	Seattle WA	Private nonprofit	1960	4	Located within Washington Park Arboretum
Hakone Estate and Gardens	Saratoga CA	Private nonprofit	1966	17	Multicultural focus
The Japanese Garden	Van Nuys CA	City of Los Angeles	1984	7	Tea house; cultural and educational events; movie settings
Japanese Friendship Garden	San Jose CA	Municipal	1965	6	Within a city park
Japanese Gardens	Hayward CA	Rec. and Park District	1980	4	Tea house, associated with a senior center
Japanese Tea Garden	San Francisco CA	City of San Francisco; concession	1894	5	Japanese garden within Golden Gate Park; operated as a concession
Shoseian Japanese Teahouse	Glendale CA	Private nonprofit	1974	NA	Tea house; located in Brand park

Attendance at most of these gardens is modest, under 100,000 per year. The figures from gardens that have data are shown below. A number of gardens are free and/or part of larger parks and no separate attendance figures are available. The Portland Japanese Garden sees 300,000 people per year, demonstrating that, under the right circumstances, a Japanese garden can be a major garden attraction.

### Annual Attendance, selected Japanese Gardens

2014



Facility	Commercial Elements	Annual Attendance	Adm. Fee	Staff	Volunteers
Portland Japanese Garden	Retail, limited events	300,000	\$9.50 adult, \$7.50 youth	33 FT, 6 PT	600
Japanese Friendship Garden	Weddings, events; café, online retail	100,000	\$6 adult, \$5 youth	7 FT, 9 PT	5
Earl Burns Miller Japanese Garden	Weddings, events	75,000	Free	4 FT, 32 PT	500
Seattle Japanese Garden	Meeting room rental	65,000	\$6 adult, \$4 youth	5 FT, 3 PT	80
Hakone Estate and Gardens	Retail; weddings, events	35,000	\$8 adult, \$6 youth	5 FT, 16 PT	400
The Japanese Garden	Retail, event rentals; movies	13,000	\$5 adult, \$3 youth	4 FT, 2 PT	70
Japanese Friendship Garden	Weddings, events	NA	Free	NA	
Japanese Gardens	Weddings	NA	Free	NA	
Japanese Tea Garden	Retail, café; photo opportunities	NA	\$8 adult, \$6 youth; res. discounts	NA	NA
Shoseian Japanese Teahouse	Tea ceremony	NA	Associated with events	NA	NA

### Other Public Gardens

The West Coast includes a number of other public gardens that offer some useful illustrations. The table below includes the primary public gardens within this region, excluding the largest gardens that are not suitably comparable to Hakone Estate and Gardens.

Most of these gardens have larger attendance than Hakone Estate and Gardens, although a few are similar. See the figure below. Most also have a substantially larger footprint, some extending over 100 acres.

### Comparable Public Gardens

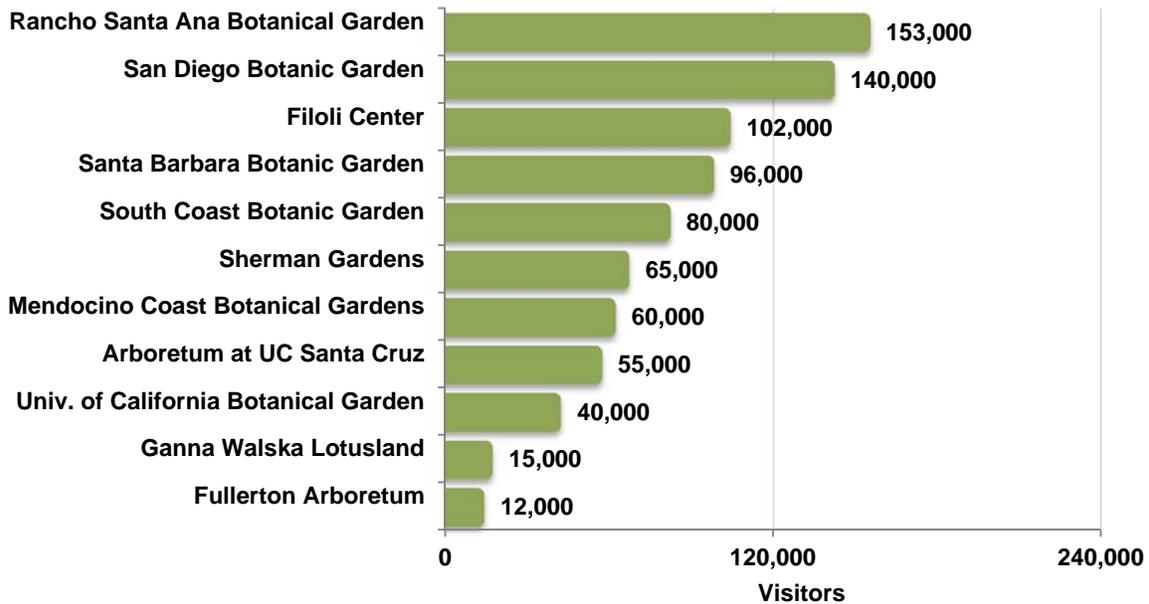
Facility	Location	Ownership	Founded	Size (acres)	Unique Features
Rancho Santa Ana Botanical Garden	Claremont CA	Private nonprofit	1927	86	Native plant garden, classes, musical events; research orientation
San Diego Botanic Garden	Encinitas CA	Private nonprofit	1960	35	Botanical garden; auditorium, bird sanctuary
Filoli Center	Woodside CA	Private nonprofit	1976	16	Historic house, botanical garden and nature preserve
Santa Barbara Botanic Garden	Santa Barbara CA	Private nonprofit	1926	78	Botanical garden; extensive education and research facilities and activities
South Coast Botanic Garden	Palos Verdes CA	Los Angeles County	1960	87	Botanical garden
Sherman Gardens	Corona del Mar CA	Private nonprofit	1951	2	Historical research institute and botanical garden, auditorium
Mendocino Coast Botanical Gardens	Fort Bragg CA	Private nonprofit	1961	47	Botanical garden and arboretum
Arboretum at UC Santa Cruz	Santa Cruz CA	Univ. of California Santa Cruz	1964	135	Arboretum and botanical garden; extensive education and research activity
University of California Botanical Garden	Berkeley CA	University of California	1890	34	Botanical garden, conference center, amphitheater, classroom, picnic area
Ganna Walska Lotusland	Montecito CA	Private nonprofit	1993	37	Botanical garden, estate
Fullerton Arboretum	Fullerton CA	Municipal, University	1972	26	Arboretum and garden, historic house and collections

A useful consideration of these gardens is on the 'commercial' features they include, in particular rentals for weddings and other events and food service. It is apparent that nearly all of the gardens offer facilities for weddings and other events. Few, however, include food service in the form of a café or restaurant. The two that do are modest in size – Mendocino Coast at 60,000 annual attendance and Sherman at 65,000 – suggesting that large attendance is not necessarily required to support this service. The Filoli Center (102,000) offers an afternoon tea.

Several of the facilities have free admission. For those that charge, admission fees range from around \$5 for an adult to \$15, with one facility operated only on the basis of more expensive tours.

Facility	Commercial Elements	Annual Attendance	Adm. Fee	Staff	Volunteers
Rancho Santa Ana Botanical Garden	retail; tours, classes; native plant nursery; weddings, corporate events	153,000	\$8 adult, \$4 youth		
San Diego Botanic Garden	retail; classes, tours; weddings and corporate events	140,000	\$14 adult, \$8 youth	21 FT, 4 PT	19
Filoli Center	Afternoon tea; art access days; classes, tours	102,000	\$15 adult, \$5 student	36 FT, 31 PT	1,300
Santa Barbara Botanic Garden	Retail; events including weddings; tours, classes; day trips, travel	96,000	\$8 adult, \$4 youth	25 FT, 19 PT	300
South Coast Botanic Garden	Retail; classes, tours; weddings and corporate events	80,000	\$8 adult, \$3 youth		
Sherman Gardens	Classes; café; weddings, corporate events	65,000	\$3 adult, \$1 youth	9 FT, 9 PT	150
Mendocino Coast Botanical Gardens	Retail, café; classes, tours; weddings	60,000	\$14 adult, \$10 youth	10 FT, 6 PT	150
Arboretum at UC Santa Cruz	Retail, classes, special days, tours, amphitheater events	55,000	\$5 adult	4 FT, 14 PT	200
University of California Botanical Garden	retail; classes, tours; weddings and corporate events	40,000	\$9 adult, \$5 youth	24 FT, 8 PT	260
Ganna Walska Lotusland	Retail; tours, classes	15,000	\$45 adult (as a tour)		
Fullerton Arboretum	Retail; tours, classes; weddings, corporate events	12,000	Free	10 FT, 12 PT	600

**Annual Attendance by Public Garden  
2014**



## Wedding Venues

A number of venues operate in the general Saratoga area that offer garden-oriented wedding rentals. They represent the primary competition for Hakone Estate and Gardens for this type of activity and offer useful information regarding rates and services. A selection of these facilities appears in the table below.

Most venues offer only packages that include a catered meal, although several also provide for wedding ceremonies with no reception. Prices for ceremony-only rentals range from about \$700 to \$4,500 for Montalvo, the closest facility to Hakone Estate and Gardens. Weddings that include catered receptions, assuming an event of 150 guests, range up to \$22,000. The most expensive facility charges are at Montalvo, with space rental charges of \$10,000 for a Friday event and \$12,000 for Sunday.

Venue (Location)	Description	Ceremony Fee	Reception Fee	Min. Venue Rental Fee	Mandatory in-house catering
Ainsley Gardens (Campbell)	ceremony and reception capabilities for 150 outside of the 1925 Tudor Revival Ainsley House	\$1,250.00	\$2,100.00	\$2,345	No
Cinnabar Hills Golf Club (San Jose)	ceremony capabilities on the terrace and in the club house for up to 250 guests	\$1,275.00	\$1,995.00	\$15,270	Yes
Elizabeth F. Gamble Garden (Palo Alto)	indoor and garden capabilities for 50 guests	-	-	\$1,200	No
Freedom Hall and Gardens (Santa Clara)	outdoor garden ceremonies with receptions in Freedom Hall	\$695.00	-	\$12,145	Yes
Montalvo Arts Center (Saratoga)	ceremony, reception and dinner venues across the sweeping center grounds	\$4,500.00	-	\$18,500	Yes
Mountain Winery (Saratoga)	indoor and outdoor ceremony and reception venues with views of the Santa Cruz Mountains	\$3,500.00	\$2,000.00	\$22,000	Yes
Ranch at Little Hills (San Ramone)	an intimate outdoor setting for 250 wedding guests in the Las Trampas Regional Wilderness	-	-	\$3,995	No
Saratoga Country Club (Saratoga)	ceremony and reception venues with views of the Santa Clara Valley for 250 guests	\$2,000.00	\$2,000.00	\$11,800	Yes
Saratoga Foothill Club (Saratoga)	an outdoor courtyard and vaulted ceiling indoor facility	\$1,800.00	-	\$11,745	Yes
Saratoga Springs (Saratoga)	wooded outdoor ceremony and reception venue near running water and soaring redwoods	-	\$2,100.00	\$8,243	Yes

Notes: Some venue fees are not applicable based on venue restrictions, such as mandatory in-house catering with reception rental. Minimum venue rental fee for a Saturday wedding with 150 guests. Includes all applicable ceremony and reception fees.

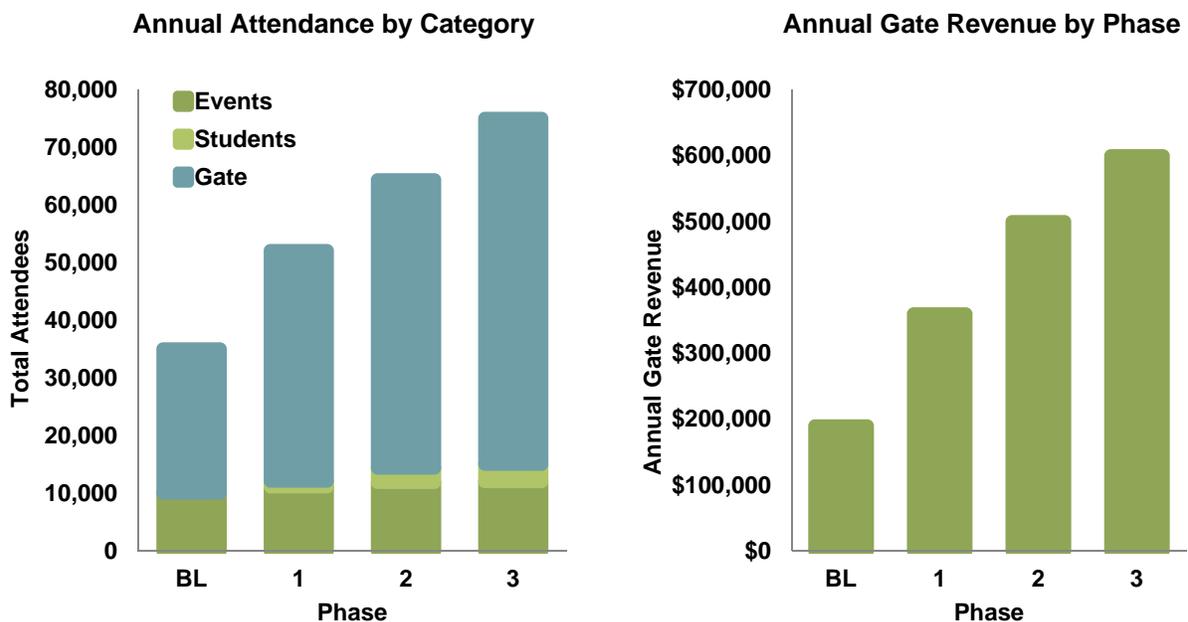
## Attendance and Revenue Projections

The following projections of attendance and revenue show a baseline represented by Fiscal Year 2015 (ended in June 2015), with projected figures for the three phases of development proposed in the Master Plan. Figures for each phase represent conditions after the proposed development phase is completed and the new capacity that each creates is available to support additional activity and revenue generation. Since no specific timeline is available for implementation of each phase, all figures are in constant 2015 dollars, with no consideration of inflation. Over the coming years inflation will most likely occur, increasing expenses and requiring increases in revenue.

### Gate admissions

Gate admissions are projected to increase steadily as the quality of the garden experience increases and additional membership, marketing, event and other programs are put in place. Current attendance is quite low given the size of the South Bay market, so considerable growth is possible if the garden can be properly positioned as an attraction and more effectively promoted.

Admissions are projected to increase from the current 25,000 to 40,000 in Phase 1, rising to 60,000 by Phase 3. Total attendance, which includes students and event attendees, rises from 35,000 to 75,000. Education program attendees are considered part of gate admissions. Admissions revenue is collected only from gate attendees.



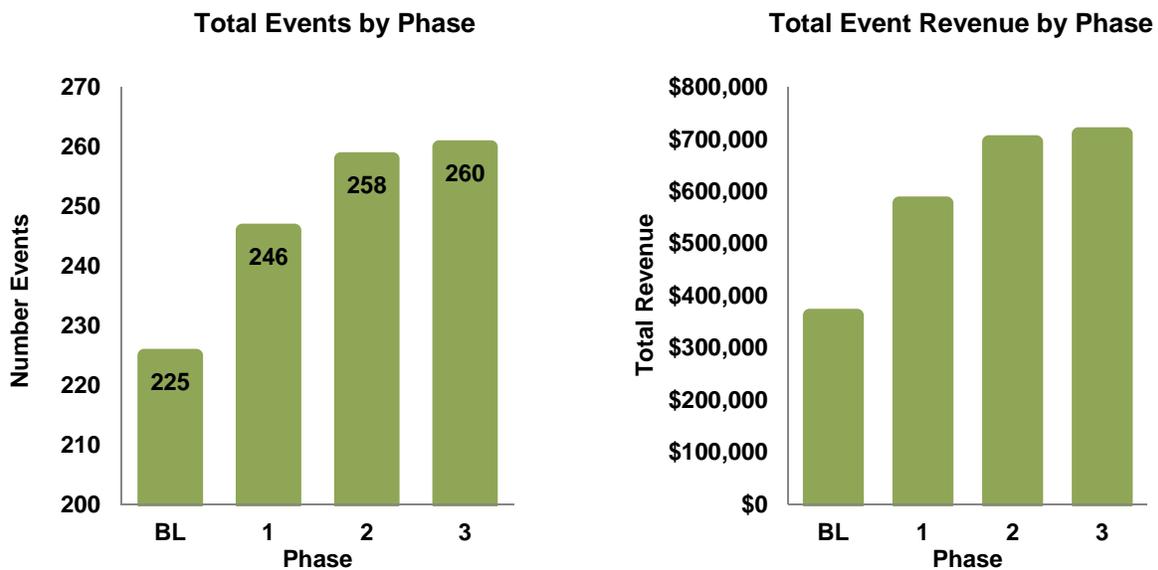
Average admission charge rises from the current \$7.60 – which is a combination of adult, student and senior rates – to \$9 for Phase 1 and \$10 for Phases 2 and 3.

### Event Revenue

The projections for event numbers and the associated revenue are summarized here, with more detailed data included in the Appendix. For projection purposes separate figures appear for the following six event categories:

- Photo/Video shoots – typically wedding parties holding their events elsewhere but wanting a unique location for photographs; sometimes shoots for advertisements and other purposes
- Wedding ceremonies – ceremonies only, reception held elsewhere; can occur in a number of locations in the Garden, depending on size
- Weddings including reception – ceremony and reception typically held in a combination of the lower and upper courtyards, but can occur inside if the size is modest; expansion of CEC capacity will allow larger inside events
- Personal events – a combination of birthday parties, reunions and other family events, typically involving a meal; includes also memorials and other events that may use theater seating
- Corporate/Business events – a variety of meetings typically held inside, may include limited food service; upgrades of the Lower House and the CEC will provide increased capacity and quality, supporting increased fees
- Corporate/Business receptions – larger events involving good quality food service, often of the same size as large wedding receptions

The total number of events is projected to increase from the current level of 225 to 246 in Phase 1 and ultimately to 260 in Phase 3. Increases are a combination of weddings, family and corporate events and are described in more detail below. The increased number of events will occur in part due to more active programming and marketing, as well as an increase in event capacity, occurring in particular during Phase 2.



Event revenue will increase from the current level of \$360,000 to about \$580,000 in Phase 1, rising to somewhat over \$700,000 in Phase 3. Revenue increases are due in

part to increased event fees and to the increase in the number of events. Upgrading the quality and presentation of the garden will be very important with regard to the ability to increase event and other fees.

### *Weddings*

Weddings are the most significant event revenue category for Hakone Estate and Gardens, and also require substantial staff effort and heavy use of Garden facilities. Currently there are about 25 wedding ceremony-only events per year, and about 35 weddings with receptions. Fees average about \$1,900 and \$6,000 respectively.

Weddings are projected in Phase 1 to increase modestly, to 30 and 40 respectively, as well as increases in the average fee, to \$2,000 and \$7,500 respectively. Further modest increases in the number of events are projected for the subsequent phases, with more substantial increases in the average fee. Increased fees will be supported by the uniqueness and quality of Hakone Estate and Gardens and as a wedding venue, enhanced in particular by the Phase 1 and 2 improvements.

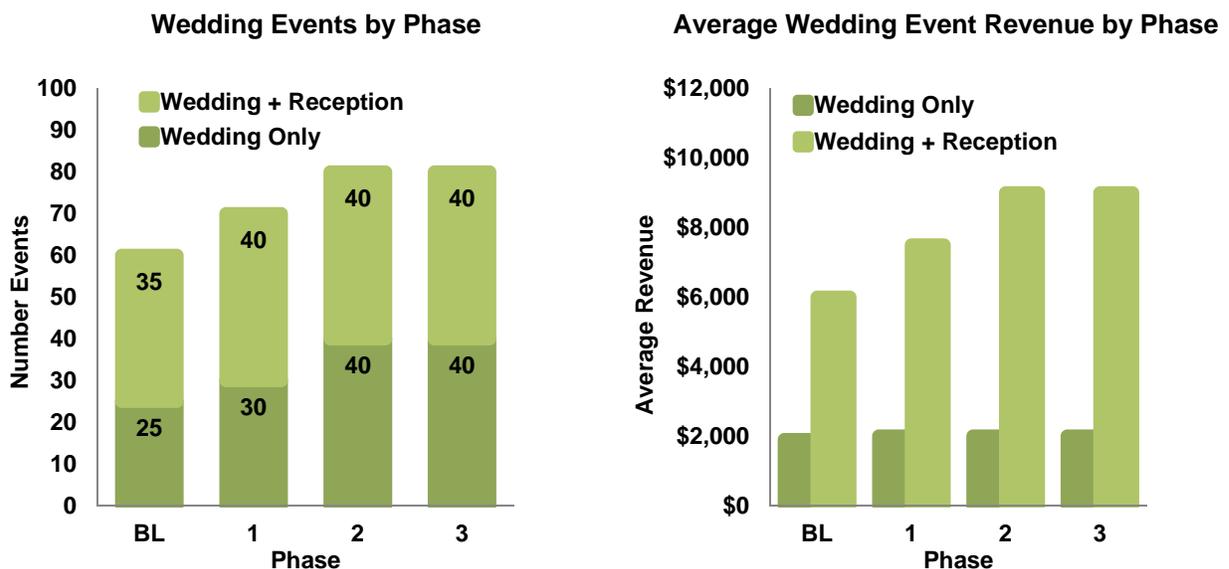


Photo and video shoots, which most often are associated with wedding activities, are assumed to remain constant in the years ahead. These are relatively simple to arrange and manage, but do not represent a very significant revenue source. If the Phase 2 improvements substantially increase the demand for shoots, perhaps fees can be increased.

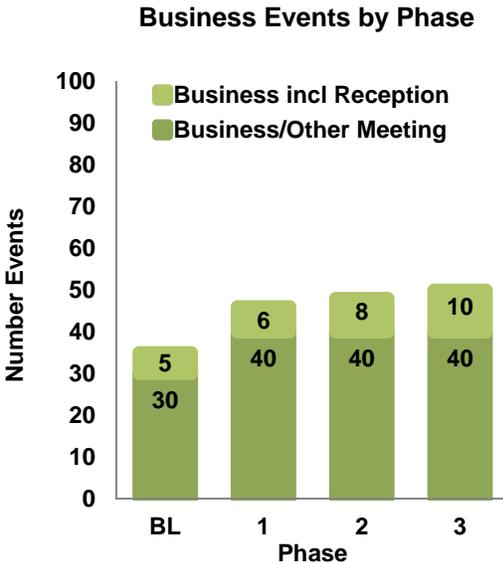
### *Personal events*

Hakone Estate and Gardens currently hosts about 50 personal events per year, with fees averaging \$950. This level of activity is projected to remain constant, with average fees rising modestly to \$1,000. While these are good events for cementing relationships within the community, the potential for increased revenue is limited, and increased capacity is better dedicated to events with more revenue potential.

*Corporate/Business events*

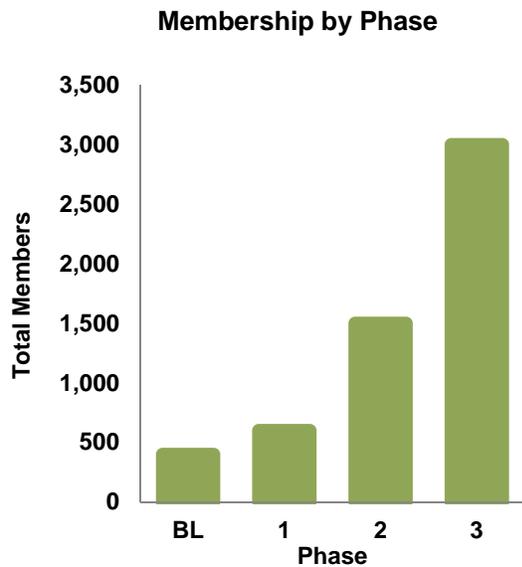
At present Estate and Gardens hosts about 30 business/corporate events per year, plus another five that consist of receptions or larger meetings that make use of theater seating. Average fees are \$1,300, the same whether a reception is included or not.

In Phase 1 the number of business meetings is projected to increase to 40 per year, plus six receptions. Improvements in both the CEC and Lower House will provide valuable new capacity for these meetings, and additional marketing can promote the improved outside spaces for these clients. In addition average fees should increase, to \$1,500 for a meeting and \$5,000 for a reception, with receptions rising further to \$7,500 in Phase 2.



**Membership**

Membership is a good indicator of the connection the Garden enjoys with the local and regional community. Enhancing membership helps boost attendance, volunteer recruitment and financial support and should be a high priority for the Garden. From the current level of about 400, membership is projected to increase to 600 for Phase 1 and further to 3,000 for Phase 3. Current cost structure is retained; consideration should be given to increasing membership fees if it seems appropriate, but building the number of members should remain a high priority.

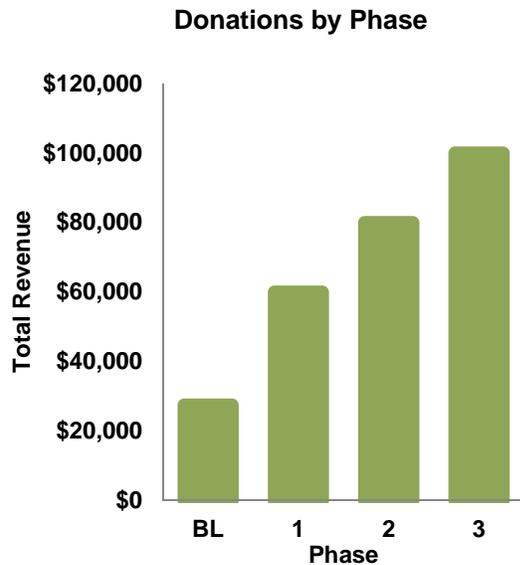


### **Education Programs**

Education is fundamental to the Garden’s mission and educational programming is another high priority. Revenue from education activity is limited for most gardens, particularly if children are a primary segment. For purposes of projections, education program revenue is assumed to remain the same as a proportion of gate revenue. Any substantial increases in programming for organized school groups, for example, will probably not be associated with much revenue growth. This activity, if possible, should be covered by foundation and other grant income.

### **Donations**

Donation levels are another indication of connection with the local and regional community. Successful gardens attract personal and corporate donations via annual campaigns, fundraising events, and through special appeals for particular projects. Hakone Estate and Gardens has seen some success with regard to donations, but there is potential for more. From the current level of about \$27,000 per year, donations are projected to increase to \$60,000 for Phase 1 and ultimately to \$100,000 for Phase 3. The process of implementing the Master Plan will be instrumental for presenting the Garden’s plans for the future and illustrating how good an investment is represents for individuals and corporations in the community.



## Foundation Grants

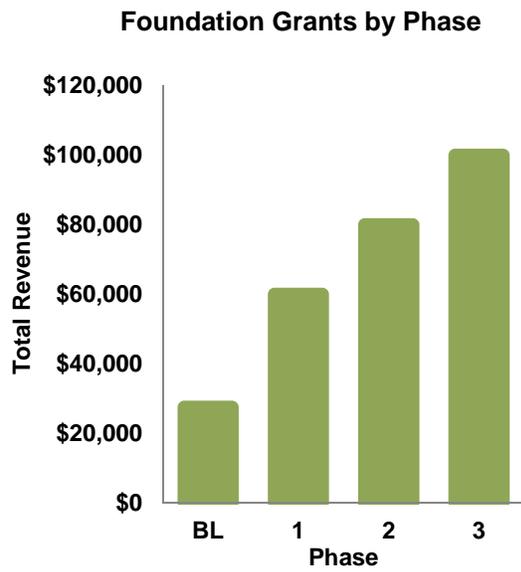
Hakone Estate and Gardens is in a good position to apply for foundation and corporate grants that support organizations with cultural and educational missions and that are in a position to enhance the services they can offer.

Two topic areas are good priorities. First, educational activities at Hakone Estate and Gardens can be enhanced, particularly those focusing on school-age children. Charitable foundations in particular often place high priorities on programs oriented to children and education. These can be priorities for corporate foundations as well. Financial support of this kind can help Hakone Estate and Gardens and fund additional staff and other resources and build a notable education program that represents a valuable asset for the community.

The other type of grant focuses on capacity building – assistance to an organization that is poised to “move to the next level” but needs an infusion of money in order to do so. Examples of activities that can be funded in this manner include:

- Hiring of staff focusing on development, volunteer recruitment and marketing, all oriented to building capacity for generating additional revenue and enhancing self-sufficiency; funds for enhanced administrative staff can be considered as well
- Building an educational program; enhancing connections to the community that funnel children and families to Hakone Estate and Gardens
- Topical programs, oriented to education/outreach and/or research, on current topics such as climate and habitat change, water use, culinary and sensory plants, plant conservation and plant-related cultural expression

Grant income is assumed to increase to \$25,000 per year in Phase 1, increasing to \$50,000 by Phase 3.



### City maintenance

The current level of City of Saratoga maintenance at the Garden is assumed to continue. One-time City contributions to building and other projects would be in addition to this amount.

## Preliminary Operating Budget

The preliminary operating budget that appears below represents a balance of anticipated revenue and operating expense associated with implementation of each phase of the master plan. All figures are in constant 2015 dollars.

	Baseline	Phase 1	Phase 2	Phase 3
<b>Projections</b>				
Non-school Attendance	25,000	40,000	50,000	60,000
Organized School Groups	0	1,000	2,500	3,000
Events	10,060	11,140	11,900	12,060
<b>Total</b>	<b>35,060</b>	<b>52,140</b>	<b>64,400</b>	<b>75,060</b>
Membership	400	600	1,500	3,000
<b>Revenue</b>				
Admissions	\$190,310	\$360,000	\$500,000	\$600,000
Fundraising events	\$30,418	\$50,000	\$80,000	\$100,000
Weddings	\$282,564	\$416,000	\$492,000	\$492,000
Other facility rentals	\$110,514	\$162,000	\$203,660	\$218,900
Retail sales	\$59,706	\$100,000	\$150,000	\$180,000
Memberships	\$27,070	\$40,605	\$101,513	\$203,025
Adult education programs	\$6,394	\$12,095	\$16,799	\$20,159
Donation	\$27,491	\$60,000	\$80,000	\$100,000
Foundation	\$0	\$25,000	\$50,000	\$50,000
City maintenance	\$15,000	\$15,000	\$15,000	\$15,000
Other	\$247	\$0	\$0	\$0
<b>Total Revenue</b>	<b>\$749,714</b>	<b>\$1,240,700</b>	<b>\$1,688,971</b>	<b>\$1,979,084</b>
<b>Expenses</b>				
Staff	\$473,464	\$756,206	\$1,007,736	\$1,183,080
Fringe @ 15% (20%)	\$71,292	\$113,431	\$201,547	\$236,616
Administration	\$17,607	\$23,160	\$28,844	\$34,427
General operations	\$139,077	\$206,830	\$255,464	\$297,750
Garden operations	\$11,189	\$16,784	\$22,378	\$22,378
Education	\$0	\$10,000	\$15,000	\$15,000
Retail	\$23,025	\$50,000	\$75,000	\$90,000
Event expenses	\$17,840	\$28,433	\$34,221	\$34,971
Maintenance/Repair	\$5,774	\$20,000	\$30,000	\$40,000
City maintenance	\$15,000	\$15,000	\$15,000	\$15,000
Other	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$774,268</b>	<b>\$1,239,844</b>	<b>\$1,685,190</b>	<b>\$1,969,221</b>
<b>Net Revenue</b>	<b>-\$24,554</b>	<b>\$856</b>	<b>\$3,782</b>	<b>\$9,862</b>

Notes: Organized school groups admitted at no cost. Retail sales of \$2.25 per adult visitor.

Several overriding assumptions underlie these projections:

- Increased attention to design and maintenance of the Garden, including plantings, pond, buildings and circulation
- Additional attention to building and maintaining connections to the community which will foster attendance, membership, volunteers, event attendance and donations
- preparation of new grant proposals to cover costs of educational programming, historic facility renovation, services to special needs populations, and other programs of interest to foundations
- positioning Hakone Estate and Gardens as a particularly unique, high quality destination, which can support ongoing requests for donations and other support and good fees for event rentals
- Development of a volunteer program that includes people oriented to education and gardening, thereby assisting with garden maintenance

## **Staff**

Staff represent the primary expense for the Garden and are discussed separately here. Current staff amount to 10.5 FTE (Full Time Equivalents), with a staff budget of about \$475,000. Staff overhead costs, such as employment taxes and insurance, are not included in this amount. This number represents conditions around the end of the fiscal year; average staff for all of FY15 was somewhat lower.

Staff are projected to increase to 15 FTE as part of Phase 1, rising to about 22 FTE by Phase 3. Detail regarding staff by department and phase appears in the Appendix.

## **Budget Projection Assumptions**

The following assumptions underlie the projections for operating expenses, which appear below in the preliminary operating budget:

- Staff expense is as described above
- The current percentage for employee overhead expense (15%) is used for the Phase 1 projections. This amount is increased to 20% for Phase 2 to allow for an increase in health insurance coverage and other expenses
- Administrative costs (materials and services primarily) increase in the same proportion as administrative salaries
- General operations expenses increase in proportion to total attendance
- Garden operations expense increase by 50% for Phase 1 to represent additional attention to pond, plantings and garden infrastructure; expenses double over current levels for Phase 2 and 3 to represent increased garden area and attention to quality; larger expenditures on garden operations may be justified in order to enhance garden quality and presentation
- Education expense increases to cover anticipated new education programming; these amounts should be covered by foundation grants, if possible
- Retail cost of sales taken as 50% of gross receipts

- Event expenses increase in the same proportion as event revenue
- Maintenance/repair expenses increased to \$20,000 per year to represent increased attention to building and other maintenance

Total revenue for FY 2018 increases from about \$743,000 to somewhat over \$1.3 million, based largely on increases in gate and event revenue and additional foundation and donation support. Increases in expenses result largely from staff increases and calculation of overhead at 20%, plus increases in operating costs due to increased levels of activity. Facility maintenance costs increase substantially, albeit from a low base. The City of Saratoga contribution for maintenance remains the same.

Potential costs not included are a sinking fund for major building repair and renovation costs as well as a variety of potential capital costs.

In addition, there will be transition costs associated with the construction phase, which will disrupt facility operations and potential revenue. To the extent possible such costs should be capitalized as part of the construction budget.

## **Endowment**

Hakone Estate and Gardens should build as large an endowment as possible with the objective of supporting operating costs in the years ahead. Typically, endowments are built from donations; endowment campaigns are often associated with capital campaigns for facility enhancements.

In the early years, while the endowment principal is building, withdrawals are often limited or curtailed completely in order to build capacity as quickly as possible. When withdrawals are initiated they typically are limited to an amount representing no more than the return on endowment investments, averaged over several years. In the past a rule of thumb annual withdrawal of 5% of principal was common. Currently, with available returns on capital as limited as they are, lower percentages are prudent.

An example for establishing an endowment goal for the Phase 1 project is as follows. This phase, which focuses on rebuilding the pond and its maintenance systems, improving the surrounding pathways and gardens, and improving ADA access to the pond area, will greatly enhance the associated area of the garden when completed. Additional gardening staff allocated to this area will capitalize on the investments and upgrade plantings and other aspects of the area.

The cost of an additional full-time gardener, including direct overhead, and also including increased materials and other costs and administrative overhead, might be taken as \$100,000 per year. With an assumption of 4% per year available from principal, an endowment amount of \$2.5 million is necessary to support this expense.

An alternative objective for the use of endowment funds could involve increased educational programming that the upgraded facility would support. An endowment contribution request could be submitted to corporate or charitable foundations, or to individuals, to support a proposed education program enhancement.

## **Sinking Fund**

A sinking fund is one means of accumulating money that will be necessary for facility reconstruction or replacement. An annual revenue stream is set aside, often in an investment account similar to that used for an operating endowment, with the annual amount calculated to correspond to the ultimate revenue goal, the time period involved and an assumed annual return on investment. For example, accumulating an account principal of \$1 million 15 years in the future, assuming an annual return of 5% on investments and annual compounding, would require an annual deposit of about \$46,300.

Sinking fund contributions can be incorporated into a garden's operating budget, however for practical reasons they are rarely seen. Operating revenues for many gardens are often limited in light of necessary operating costs, leaving little room for such investments. In addition, large capital expenses are most often funded via capital campaigns rather than from savings.

That said, gardens should include expected costs for periodic repairs, perhaps including upgrades and relate improvements, as part of their annual budget. Such amounts are included in the budget forecasts here.

# Appendix

## Hakone Estate and Gardens: Preliminary Event Projections

Factor	Photo Session	Wedding Only	Wedding + Reception	Personal Event	Corp. Meeting	Corp incl Reception	Total
<b>2015 Baseline</b>							
Events/year	80	25	35	50	30	5	225
Fee/event	\$152	\$1,900	\$6,000	\$950	\$1,300	\$1,300	
Total fee revenue	\$12,160	\$47,500	\$210,000	\$47,500	\$39,000	\$6,500	\$362,660
Attendees/event	7	60	100	70	20	80	
Total attendees	560	1,500	3,500	3,500	600	400	10,060
Total revenue	\$12,160	\$47,500	\$210,000	\$47,500	\$39,000	\$6,500	\$362,660
<b>Phase 1</b>							
Events/year	80	30	40	50	40	6	246
Fee/event	\$200	\$2,000	\$7,500	\$1,000	\$1,500	\$5,000	
Total fee revenue	\$16,000	\$60,000	\$300,000	\$50,000	\$60,000	\$30,000	\$516,000
Attendees/event	7	60	100	70	20	80	
Total attendees	560	1,800	4,000	3,500	800	480	11,140
Catering charge/attendee	\$0	\$0	\$100	\$40	\$40	\$100	
Total catering charges	\$0	\$0	\$400,000	\$140,000	\$32,000	\$48,000	
Catering commission	10%	10%	10%	10%	10%	10%	
Catering revenue	\$0	\$0	\$40,000	\$14,000	\$3,200	\$4,800	\$62,000
Total revenue	\$16,000	\$60,000	\$340,000	\$64,000	\$63,200	\$34,800	\$578,000
<b>Phase 2</b>							
Events/year	80	40	40	50	40	8	258
Fee/event	\$200	\$2,000	\$9,000	\$1,000	\$1,500	\$7,500	
Total fee revenue	\$16,000	\$80,000	\$360,000	\$50,000	\$60,000	\$60,000	\$626,000
Attendees/event	7	60	100	70	20	80	
Total attendees	560	2,400	4,000	3,500	800	640	11,900
Catering charge/attendee	\$0	\$0	\$60	\$60	\$10	\$10	
Total catering charges	\$0	\$0	\$240,000	\$210,000	\$8,000	\$6,400	
Catering commission	15%	15%	15%	15%	15%	15%	
Catering revenue	\$0	\$0	\$36,000	\$31,500	\$1,200	\$960	\$69,660
Total revenue	\$16,000	\$80,000	\$396,000	\$81,500	\$61,200	\$60,960	\$695,660
<b>Phase 3</b>							
Events/year	80	40	40	50	40	10	260
Fee/event	\$200	\$2,000	\$9,000	\$1,000	\$1,500	\$7,500	
Total fee revenue	\$16,000	\$80,000	\$360,000	\$50,000	\$60,000	\$75,000	\$641,000
Attendees/event	7	60	100	70	20	80	
Total attendees	560	2,400	4,000	3,500	800	800	12,060
Catering charge/attendee	\$0	\$0	\$60	\$60	\$10	\$10	
Total catering charges	\$0	\$0	\$240,000	\$210,000	\$8,000	\$8,000	
Catering commission	15%	15%	15%	15%	15%	15%	
Catering revenue	\$0	\$0	\$36,000	\$31,500	\$1,200	\$1,200	\$69,900
Total revenue	\$16,000	\$80,000	\$396,000	\$81,500	\$61,200	\$76,200	\$710,900

## Staff Projection: Preliminary Estimated Annual Average

	FY 2015			Phase 1		Phase 2		Phase 3	
Position	Salary	FTE	Budget	FTE	Budget	FTE	Budget	FTE	Budget
<b>Administration</b>									
Executive Director	\$90,000	1	\$90,000	1	\$99,000	1	\$108,000	1	\$108,000
Bookkeeper	\$62,400	0.45	\$28,080	0.5	\$34,320	0.5	\$37,440	1	\$74,880
Reception	\$40,000	0	\$0	0.5	\$22,000	1	\$48,000	1	\$48,000
<b>Subtotal</b>		<b>1.45</b>	<b>\$118,080</b>	<b>2</b>	<b>\$155,320</b>	<b>2.5</b>	<b>\$193,440</b>	<b>3</b>	<b>\$230,880</b>
<b>Marketing/Membership</b>									
Marketing/Communications Director	\$60,000	0	\$0	0.5	\$33,000	1	\$72,000	1	\$72,000
Membership Coordinator	\$35,000	0	\$0	0.5	\$19,250	0.5	\$21,000	1	\$42,000
<b>Subtotal</b>		<b>0</b>	<b>\$0</b>	<b>1</b>	<b>\$52,250</b>	<b>1.5</b>	<b>\$93,000</b>	<b>2</b>	<b>\$114,000</b>
<b>Development</b>									
Development Director	\$60,000	0	\$0	0.5	\$33,000	0.5	\$36,000	1	\$72,000
Staff	\$35,000	0	\$0	0	\$0	0.5	\$21,000	1	\$42,000
<b>Subtotal</b>		<b>0</b>	<b>\$0</b>	<b>0.5</b>	<b>\$33,000</b>	<b>1</b>	<b>\$57,000</b>	<b>2</b>	<b>\$114,000</b>
<b>Events Management</b>									
Event Coordinator	\$52,000	1.25	\$65,000	1.5	\$85,800	1.5	\$93,600	1.5	\$93,600
Event Consultant	\$40,000	0.25	\$10,000	0	\$0	0	\$0	0	\$0
Event Office Assistant	\$31,200	0.25	\$7,800	0.5	\$17,160	0.5	\$18,720	1	\$37,440
Event staff	\$26,000	1.5	\$39,000	1.5	\$42,900	2	\$62,400	2	\$62,400
<b>Subtotal</b>		<b>3.25</b>	<b>\$121,800</b>	<b>3.5</b>	<b>\$145,860</b>	<b>4</b>	<b>\$174,720</b>	<b>4.5</b>	<b>\$193,440</b>
<b>Education</b>									
Education Coordinator	\$40,000	0	\$0	0	\$0	0.5	\$24,000	0.5	\$24,000
Volunteer Coordinator	\$40,000	0	\$0	0.5	\$22,000	0.5	\$24,000	0.5	\$24,000
<b>Subtotal</b>		<b>0</b>	<b>\$0</b>	<b>0.5</b>	<b>\$22,000</b>	<b>1</b>	<b>\$48,000</b>	<b>1</b>	<b>\$48,000</b>
<b>Garden Operations</b>									
Head Japanese Garden Specialist	\$58,240	1	\$58,240	1	\$64,064	1	\$69,888	1	\$69,888
Assistant Gardener	\$45,760	1.75	\$80,080	2.5	\$125,840	3	\$164,736	3.5	\$192,192
<b>Subtotal</b>		<b>2.75</b>	<b>\$138,320</b>	<b>3.5</b>	<b>\$189,904</b>	<b>4</b>	<b>\$234,624</b>	<b>4.5</b>	<b>\$262,080</b>
<b>Buildings and Security</b>									
Housekeeping	\$31,200	2	\$62,400	2	\$68,640	2	\$74,880	2	\$74,880
Security	\$35,000	0	\$0	0	\$0	0.5	\$21,000	0.5	\$21,000
<b>Subtotal</b>		<b>2</b>	<b>\$62,400</b>	<b>2</b>	<b>\$68,640</b>	<b>2.5</b>	<b>\$95,880</b>	<b>2.5</b>	<b>\$95,880</b>
<b>Retail</b>									
Gift Shop Manager	\$58,240	0.25	\$14,560	1	\$64,064	1	\$69,888	1	\$69,888
Admissions/Retail staff	\$22,880	0.8	\$18,304	1	\$25,168	1.5	\$41,184	2	\$54,912
<b>Subtotal</b>		<b>1.05</b>	<b>\$32,864</b>	<b>2</b>	<b>\$89,232</b>	<b>2.5</b>	<b>\$111,072</b>	<b>3</b>	<b>\$124,800</b>
<b>Total</b>		<b>10.5</b>	<b>\$473,464</b>	<b>15</b>	<b>\$756,206</b>	<b>19</b>	<b>\$1,007,736</b>	<b>23</b>	<b>\$1,183,080</b>

Notes: All salaries increased 10% in Phase 1, 20% in Phases 2 and 3. Fringe taken as 15% in Phase 1, 20% in Phases 2 and 3.