

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0220-04971-0000

Date: August 20, 2014

To: Arts, Parks, Health, Aging and River Committee

From: Miguel A. Santana, City Administrative Officer

John R. Lewis, General Manager Zoo Department

Subject: **ZOO DEPARTMENT – MEMORANDA OF UNDERSTANDING BETWEEN THE GREATER LOS ANGELES ZOO ASSOCIATION (GLAZA) AND THE CITY (C.F. NO. 14-0600-S223)**

SUMMARY

On May 21, 2014, the City Council (Council) adopted the following instruction as part of the Adopted Budget: "The Zoo Department (Department) to report to the Arts, Parks, Health, Aging and River Committee on all of the City's Memoranda of Understanding (MOUs) with the Greater Los Angeles Zoo Association (GLAZA), such as the carousel, membership, publications, volunteers, financial assistance, special events, concessions, public relations and marketing. The Office of the City Administrative Officer (CAO) should include a comprehensive analysis of funding that GLAZA receives from the City of Los Angeles (City) and any funding provided by GLAZA to the Zoo Department..." (Attachment 1)

This Office in conjunction with the Zoo Department has prepared the attached report which includes an analysis of each MOU and a discussion of the revenues, expenses, and services provided under the terms of each MOU. In addition to the 25-year Operating Agreement which expires September 2022 and the Concession Agreement which expires February 2016, the Department currently has five MOUs with GLAZA. Although four MOUs are presently expired, the Department and GLAZA have agreed to continue to operate under the terms of the prior MOUs until such time as the LA Zoo's revised Business and Marketing Plan (Attachment 2) is approved and successor MOUs are approved and executed. The following table provides a list of all MOUs and current term:

MOU	TERM	STATUS
Membership, Publications, and Volunteer Programs	July 1, 2011 to June 30, 2012	Successor MOU required
Concessions	July 1, 2011 to June 30, 2012	Successor MOU required
Financial Assistance, Special Events, and Community Affairs	July 1, 2011 to June 30, 2012	Successor MOU required
Tom Mankiewicz Conservation Carousel	October 1, 2011 to July 31, 2012	Successor MOU required
Marketing & Public Relations and Catering & Site Rentals	July 1, 2013 to June 30, 2016	Requires Council ratification by September 30, 2014.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Approve the updated three-year Los Angeles Zoo and Botanical Garden's Business and Marketing Plan (Plan);
2. Determine that the Memorandum of Understanding between the Los Angeles Zoo and Botanical Gardens and the Greater Los Angeles Zoo Association (GLAZA) for Marketing and Public Relations and Site Rentals and Catered Events (Marketing MOU) as amended (Attachment 3) is in conformance to the approved Plan;
3. Ratify the Marketing MOU as amended as required in Section 7 of the Marketing MOU; and
4. Instruct the Zoo Department, with assistance of the Office of the City Administrative Officer and the City Attorney, to update as necessary all expired Memoranda of Understanding and other agreements between the City and GLAZA in conformance to the approved Plan.

FISCAL IMPACT STATEMENT

There is no General Fund impact from the recommended actions. Approval of the recommendations will not result in changes to the Zoo Department's 2014-15 Adopted Budget.

MAS:RPE:MTS:JJI:08150011

Attachments

BACKGROUND

The Los Angeles Zoo and Botanical Gardens (LA Zoo) opened on November 28, 1966 under the management of the Department of Recreation and Parks. In 1997, the Zoo Department (Department) was established by ordinance as an independent Council-controlled City Department with the authority to operate, manage, maintain, and control all of the LA Zoo property in a manner that would enhance the existing animal exhibits, visitor amenities and infrastructure, as well as design and construct new exhibits and facilities. Specific responsibilities included providing optimal conditions for animal welfare and safety, educating visitors and the community about wildlife, providing a recreational destination for visitors, promoting conservation of species and their habitats, and conducting scientific research. Further, the LA Zoo was created to promote the educational offerings and exhibits at the Zoo as a resource to attract economic development to the City of Los Angeles (City).

The Greater Los Angeles Zoo Association (GLAZA) is a non-profit corporation created in 1963 for the purpose of assisting the City in establishing, developing, beautifying, and improving the LA Zoo. GLAZA's primary responsibility is to seek and provide financial support toward the Department's operating budget and to help fund the LA Zoo's capital improvements. With a staff of 43 full-time and 22 part-time employees, GLAZA currently supports the LA Zoo through the operation and management of fundraising, membership, concessions, special events, educational support, and community relations. GLAZA has provided a summary of its programs and services as well as the outcomes and benefits to the City and LA Zoo in Attachment 4.

Operating Agreement

In 1997, the City Council approved a 25-year Operating Agreement, between the City and GLAZA to establish and govern the relationship between the two parties for the primary purpose of providing a high quality LA Zoo for the residents of the City (Contract No. 95894). The current agreement will expire on September 29, 2022. It specifies the responsibilities and roles of each, including GLAZA's responsibility to obtain financial contributions and similar support from the private sector, to be used for the City's operations and capital improvements at the LA Zoo. Under the terms of this agreement, the Zoo Director is authorized to negotiate and execute separate MOUs for fundraising, membership program, and other activities or services to be performed by GLAZA, provided that the terms do not exceed the expiration date of the Operating Agreement or a maximum of three years. Each MOU must be approved by the City Attorney and comply with the objectives and strategies of the Business and Marketing Plan approved and adopted by Council.

Business and Marketing Plan

The Los Angeles Administrative Code (LAAC) Sec 22.711 requires the Department to prepare and submit a Business and Marketing Plan (Plan) to the Mayor and City Council at least every five years. The Plan shall contain marketing and financial projections for the Department for a maximum of five years and shall include, but not be limited to, methods to attract additional visitors and funds to the Zoo and calculations of funds anticipated to be received from fund raising, admissions (paid attendance) at the Zoo, City General Fund, membership, grants, concessions, and other commercial enterprises.

On November 1, 2013, the Department submitted the Plan (2014-15 through 2016-17) to the Council for approval (C.F. No. 13-1469). The Plan, developed by the Department and GLAZA, outlines four primary goals that focus on the Zoo campus, conservation, community, and human capital. The Plan also puts forward strategies for achieving the above goals and highlights key metrics and assumptions utilized in the formulation of the Plan.

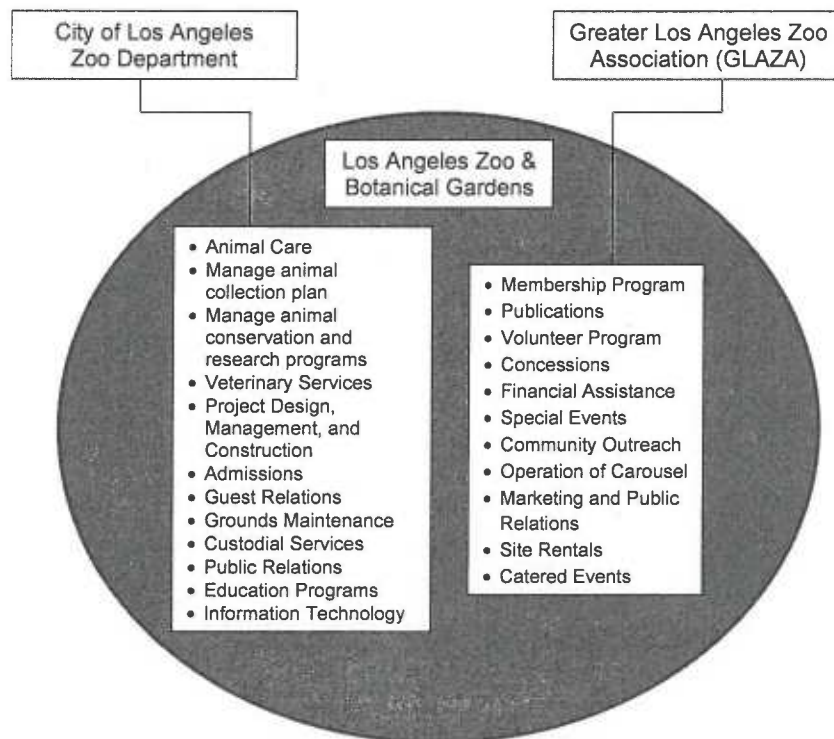
The Department has revised the Plan to reflect the following changes:

- Elimination of the General Fund subsidy assumptions in recognition that all General Fund appropriations will be approved by Mayor and Council through the annual budget process;
- Update the 2013-14 data with the most current revenue and expenditure information; and
- Update the 2014-15 data to reflect the actual adopted budget.

The LA Zoo's revised Business and Marketing Plan (Attachment 2) has been transmitted under separate cover for Council approval.

Los Angeles Zoo Operating Programs and Services

The Department and GLAZA are partners in the operation and success of the LA Zoo. Below is a chart which reflects the relationship between GLAZA and the Department in support of the LA Zoo. GLAZA is responsible for fundraising to support exhibits, capital projects, conservation, and education programs that are managed by the Department. Further, GLAZA operates and manages more than ten programs and services for the benefit of the LA Zoo as designated and governed by the Operating Agreement and various MOUs. The MOUs are explained in greater detail below.



1. MEMORANDA OF UNDERSTANDING BETWEEN ZOO DEPARTMENT AND GLAZA

The Department has a total of five MOUs with GLAZA. Several of these are currently expired, but the parties have agreed to continue to operate informally under the terms of the prior MOUs, until the Plan is approved and successor MOUs may be executed. GLAZA and the Department have provided information and data regarding the MOUs for the past three fiscal years. Financial data for 2013-14 is preliminary at this time, as final year end data will not be available until September 2014.

A. Membership, Publications, and Volunteer Programs MOU

GLAZA operates and manages a membership program that offers several levels of annual membership with over 62,000 households currently enrolled. GLAZA also manages the publications and volunteer and docent programs for the LA Zoo. The publication program produces the Zoo View Magazine and the Zooscape newsletters with an annual distribution of over 60,000, as well as a monthly e-newsletter to over 100,000 subscribers, and a semi-monthly staff and volunteer newsletter. GLAZA also maintains the LA Zoo website. GLAZA's volunteer and docent program is responsible for training and managing over 600 volunteers who provide approximately 75,000 hours to the LA Zoo annually. The governing documents for these programs are the Operating Agreement and the Membership, Publications, and Volunteer Programs MOU (Attachment 5).

Term

Operating Agreement: September 29, 1997 to September 29, 2022.

Membership MOU: July 1, 2011 to June 30, 2012.

Agreement

The Operating Agreement between the City and GLAZA authorizes GLAZA to retain 25 percent of membership revenues for the administration of the program and instructs GLAZA to then remit to the City 15 percent of each fee, which will increase by one percent over a ten year period until it is remitting 25 percent. The remaining monies from membership fees are to be deposited in the City's Zoo Enterprise Trust Fund (ZETF) unless the Zoo Director and GLAZA enter into an MOU requiring GLAZA to perform other specific services for the Zoo. If MOU(s) do not allocate all the remaining monies received from membership fees within twelve months of receipt, all such unallocated fees are to be deposited in the ZETF.

Through this MOU, the Department and GLAZA agree that GLAZA will remit 25 percent of each membership fee to the Zoo and that GLAZA may retain all remaining membership revenue up to the total cost of the membership program and additional MOU services of the publications and volunteer programs.

Actual Distribution of Revenue

Membership revenue is inclusive of membership fees and other membership revenue. Based on the information provided by GLAZA for the past three fiscal years, up to 25 percent of the

membership fees have been transferred to the City's ZETF. A portion of the membership revenue has been retained by GLAZA to offset the total direct and indirect costs to support the membership, publications, and volunteer programs.

The Operating Agreement states that all unallocated membership fees are to be transferred to the ZETF and the MOU only allocates the membership revenue up to the total membership, publications and volunteer program costs. However, the remaining funds were retained by GLAZA in 2011-12 as unallocated funds. The Department and GLAZA have agreed that the unallocated funds for 2011-12 in the amount of \$447,837 will be transferred back to the ZETF. In 2012-13 and 2013-14, the remaining funds were retained by GLAZA as working capital support for the Marketing and Public Relations program.

Based on information provided by GLAZA, the following table reflects the actual membership revenues received as well as the actual distribution of revenues for the past three years:

Membership Revenue							
Revenue	2011-12		2012-13		2013-14*		
Membership Fees	\$	5,706,378	\$	5,505,977	\$	5,452,579	
Other Membership Revenue	\$	60,711	\$	53,374	\$	58,289	
Gross Membership Revenue	\$	5,767,089	\$	5,559,351	\$	5,510,868	
Distribution of Revenue							
Zoo (ZETF) - 25% of Fees **	\$	1,426,576	25%	\$ 1,376,513	25%	\$ 1,363,145	25%
GLAZA - Membership Program Expenses	\$	2,748,586	47%	\$ 2,668,361	48%	\$ 2,804,670	51%
GLAZA - Publication Program Expenses	\$	812,357	14%	\$ 804,670	15%	\$ 812,276	15%
GLAZA - Volunteer Program Expenses	\$	331,733	6%	\$ 353,628	6%	\$ 371,904	6%
GLAZA - Working Capital for Marketing			0%	\$ 356,179	6%	\$ 158,873	3%
GLAZA retained Unallocated Funds	\$	447,837	8%		0%		0%
Total Revenue Distribution	\$	5,767,089	100%	\$ 5,559,351	100%	\$ 5,510,868	100%
*Actual Expenses through mid-June 2014							
**Reflects GLAZA's record of revenue distribution. Actual transfers to ZETF occur one month in arrears and are recorded by the Department based on date of deposit.							

GLAZA Programs Expense Detail

The following tables reflect the breakdown of GLAZA's expenses for each service program. Operating Expenses include mailing services and telemarketing, publications and printing, postage, office, and other expenses. Administration and Support includes management and accounting, program management, and information technology.

Membership Program Expenses Preliminary 2013-14		Publications Program Expenses Preliminary FY 2013-14		Volunteer Program Expenses Preliminary FY 2013-14	
Direct Salaries & Benefits	20%	Direct Salaries & Benefits	31%	Direct Salaries & Benefits	45%
Direct Operating Expenses	46%	Direct Operating Expenses	40%	Direct Operating Expenses	22%
Administration & Support	34%	Administration & Support	29%	Administration & Support	33%

B. Concessions MOU

GLAZA currently manages the LA Zoo Concessions through a subcontract with Volume Services America, a joint venture of Service Systems Associates and Centerplate (Concessionaire) for the operation of all concessions, including food and refreshments, catering, vending machines, retail, trams, stroller/wheelchair rentals, special vending, etc. At the direction of GLAZA and the Department, the Concessionaire has made capital investments to remodel the International Marketplace and expand food and beverage options to nine locations throughout the LA Zoo. The three governing documents for the LA Zoo Concessions services are the Concessions Agreement between the City and GLAZA, the Concessionaire Subcontract between GLAZA and the Concessionaire, and the Concessions MOU between the Department and GLAZA (Attachment 6).

Term

Concessions Agreement: February 12, 1981 to February 11, 2006. The Operating Agreement extended this Agreement to February 11, 2016.

Concessionaire Subcontract: October 1, 1997 to September 30, 2007. The most recent amendment executed on September 25, 2012 extended the subcontract to December 31, 2012. GLAZA and Concessionaire are negotiating a subsequent amendment and are operating under the terms of the most recent expired contract.

Concessions MOU: July 1, 2011 to June 30, 2012.

Agreement

The Concessions Agreement between the City and GLAZA provides GLAZA the exclusive right to maintain and operate LA Zoo concessions. The Operating Agreement extended the term of the Concessions Agreement and allowed GLAZA to subcontract the activities pursuant to a Request for Proposals process meeting all City requirements.

The Concessionaire will pay to GLAZA a total annual commission based on various percentages of each concession component (food and refreshments, retail, special vending, etc.) as stipulated in the Concessionaire Subcontract. Of this total annual commission amount, the Concessions Agreement states GLAZA will remit ten percent of Gross Commissionable Revenue (Concessionaire's total gross revenue, less catering services requested by the Department) to the Department. Under the terms of the Concessions MOU, GLAZA retains three percent of Gross Commissionable Revenue as a contract administration fee. The remainder of the total annual commission is to be transferred to the Zoo Surplus Development Funds (ZSDF), restricted to use by the Zoo Director.

Additionally, the Concessionaire Subcontract specifies that the Concessionaire will pay to GLAZA an Annual Commission Enhancement when annual attendance is 1.5 million or more visitors. The amount is determined by the annual attendance (total audited attendance less 50 percent of special events attendance) of each operating fiscal year (October 1 to September 30). This enhancement was established as an incentive for the LA Zoo to increase attendance which will

also increase the concessions revenue. According to the Concessions MOU, the full amount of the Annual Commission Enhancement, if earned, is deposited in the ZSDF.

Actual Distribution of Revenue

Based on the information provided by GLAZA, the following table depicts the actual annual commissions received and distribution of commissions for the past three years:

Concessions			
Revenue	2011-12	2012-13	2013-14*
Gross Commissionable Revenue	\$10,323,842	\$9,305,024	\$9,444,047
Total Annual Commissions	\$ 2,061,506	\$1,843,231	\$1,868,911
Annual Commission Enhancement	\$ 38,503	\$ 110,564	\$ -
<i>Distribution of Annual Commissions</i>			
GLAZA - 3% of Commissionable Revenue	\$ 309,716	\$ 279,151	\$ 283,321
Zoo (ZETF) - 10% of Commissionable Revenue**	\$ 1,032,384	\$ 930,502	\$ 944,405
Zoo (ZSDF) - Remainder of Annual Commissions	\$ 719,406	\$ 633,578	\$ 641,185
Total Annual Commissions Distribution	\$ 2,061,506	\$1,843,231	\$1,868,911
Zoo (ZSDF) - Annual Commission Enhancement	\$ 38,503	\$ 110,564	\$ -
*In 2013-14, revenue and commissions do not include site rentals and catering because they are included in the Marketing, Public Relations, Site Rentals, and Catering MOU.			
**Reflects GLAZA's record of revenue distribution. Actual transfers to ZETF occur one month in arrears and are recorded by the Department based on date of deposit.			

C. Financial Assistance, Special Events, and Community Affairs MOU

GLAZA is the primary organization authorized to solicit funds and contributions on behalf of the City for the LA Zoo. GLAZA currently supports the LA Zoo through various fundraising efforts designed to attract financial contributions and similar support from the private sector including, but not limited to, individuals, corporations, charitable foundations and local governments. The governing document for GLAZA's financial support programs is the Financial Assistance, Special Events, and Community Affairs MOU (Attachment 7).

Term

July 1, 2011 to June 30, 2012.

Agreement

Under the terms of the MOU, GLAZA will endeavor to raise both restricted and unrestricted funds and provide financial support of the Zoo through:

- transfers of cash donations and gifts stipulated; and
- the delivery of program services to LA Zoo by GLAZA departments or programs.

Restricted Funds, which have donor-imposed restrictions, are designated for specific projects and programs, including Zoo's Master Plan capital construction projects (Elephants of Asia, Rainforest of the Americas, etc.), Behavioral Enrichment Program, education programs, and general exhibit improvements at the LA Zoo. GLAZA will partially recoup costs for restricted fundraising through an indirect cost recovery rate of 7.5 percent. Restricted Funds that are raised, minus the indirect cost recovery fee, are transferred to restricted accounts and only authorized for expenditure for projects established for each specific purpose. Expenditure of funds requires approval of both Zoo Director and GLAZA President.

Unrestricted Funds are raised through community and special events, including GLAZA's annual major fundraising event, the Beastly Ball, and donor programs, such as Safari Club, Business Partners, direct mail appeals, bequests and general donations.

According to the terms of the MOU, GLAZA will transfer \$365,000 of unrestricted funds to the Zoo Assistance Fund (ZAF) for public relations, marketing, and conservation efforts to be expended at the discretion of the Zoo Director on an annual basis. When the Marketing MOU was executed in May 2013, GLAZA and the Department mutually agreed to reduce the amount transferred to ZAF to \$300,000 for conservation efforts and designated the other \$65,000 to be used by GLAZA for the expanded marketing and public relations efforts.

GLAZA's current policy, as stated in the MOU, is to allocate unrestricted bequests to fund GLAZA's financial commitment to pay debt service for the Elephants of Asia Exhibit. A discussion of the support of the Elephants of Asia Exhibit is contained later in this report. The remaining unrestricted funds raised are retained by GLAZA to support GLAZA's costs and activities related to Development, Information Technology, Special Events, Community Relations and other services for the LA Zoo, as well as GLAZA's finance, administrative, and insurance costs.

Actual Distribution of Revenue

Based on the information provided by GLAZA, the following table depicts the actual revenue received from fundraising and events and distribution of revenue for the past three years:

Financial Assistance, Special Events and Community Outreach			
Revenue	2011-12	2012-13	2013-14*
Fundraising	\$ 4,403,950	\$ 7,011,985	\$ 3,795,348
Special Events (net**)	\$ 987,864	\$ 786,088	\$ 816,118
Community Events	\$ 68,785	\$ 56,238	\$ 72,476
Gross Revenue	\$ 5,460,599	\$ 7,854,311	\$ 4,683,942
Distribution of Revenue			
Zoo Assistance Fund	\$ 365,000	\$ 365,000	\$ 300,000
GLAZA - designated for Marketing and Public Relations program	\$ -	\$ -	\$ 65,000
GLAZA - Unrestricted Funds designated for Elephants of Asia	\$ 159,945	\$ 1,270,764	\$ 162,293
GLAZA - Transferred to Restricted Accounts for LA Zoo	\$ 2,743,153	\$ 2,292,814	\$ 1,837,882
GLAZA - Transferred to Restricted Accounts for GLAZA****	\$ -	\$ 1,850,000	\$ 150
GLAZA - Indirect Cost Recovery (7.5%)	\$ 167,609	\$ 412,793	\$ 149,949
GLAZA - Development Program Expenses****	\$ 1,851,512	\$ 1,662,940	\$ 1,891,238
GLAZA - Other Operational Services and Admin & Support	\$ 173,380	\$ -	\$ 277,430
Total Revenue Distribution	\$ 5,460,599	\$ 7,854,311	\$ 4,683,942
*Actuals through mid-June 2014			
** Special events gross revenue less direct costs			
***In 2012-13, GLAZA received a grant for the purpose of capacity building and technology upgrades to support these efforts.			
****Total GLAZA Development Program Expenses in 2012-13 (\$1,970,420) were partially covered			

D. Tom Mankiewicz Conservation Carousel MOU

GLAZA commissioned and provided funding to design and construct the Tom Mankiewicz Conservation Carousel (Carousel) and a California Arts and Crafts-style Pavilion. GLAZA reports that it secured donations to fund \$2.30 million of the \$2.48 million total project costs for the carousel fabrication and construction. The Carousel, a hand-carved wooden carousel with 64 animals and two benches, opened in October 2011 providing a new attraction for the LA Zoo guests and a new source of revenue for the Department's operating budget. GLAZA operates and maintains the Carousel and Pavilion. The governing document for the Carousel operations and management is the Tom Mankiewicz Conservation Carousel MOU (Attachment 8).

Term

October 1, 2011 to July 31, 2012. The MOU stipulated that the term shall expire upon the earliest of the following: (i) until GLAZA has fully recouped its investment in the Carousel Project; (ii) 5 years after first paid admission; or (iii) September 30, 2017.

Agreement

The MOU authorizes GLAZA to retain a portion of the receipts from ticket sales and event rentals for the operating expenses of the carousel and also retain the net surplus from Carousel operations until the final capital costs are recovered. GLAZA further reports the final capital costs and an additional \$100,000 for future maintenance and renovations were fully recouped in July 2012, at which time the MOU terminated based on the stipulated term.

In August 2012, without establishing a successor MOU, the Zoo and GLAZA informally agreed to the following financial arrangement: GLAZA will continue to provide the staffing and maintenance for the operation and retain three (3) percent of Gross Revenue and reimbursement to cover all direct expenses. The remainder of the Net Revenue will be transferred to the Zoo Enterprise Trust Fund.

Actual Distribution of Revenue

Based on the information provided by GLAZA for the past three fiscal years, the total gross revenue for the carousel, less direct expenses for operations, was retained by GLAZA to recoup capital costs until July 2012. Beginning August 2012, after reimbursement of direct expenses and an administration fee were retained by GLAZA, the net revenue was transferred to ZETF equating to up to 60 percent of Gross Revenue.

The following table depicts the actual Carousel revenues received and distribution of revenues for the past three years:

Carousel			
Revenue	2011-12	2012-13	2013-14*
Carousel Gross Revenue	\$ 385,227	\$ 428,405	\$ 442,473
Distribution of Revenue			
GLAZA - Direct Expenses	\$ 154,223	\$ 156,559	\$ 142,330
GLAZA - 3% of Gross Revenue (Admin Fee)	\$ -	\$ 11,508	\$ 13,274
GLAZA - Retained for Capital Costs	\$ 231,004	\$ 31,062	
Zoo (ZETF)**		\$ 229,276	\$ 266,277
*Actual Distribution of Revenue through May 2014			
**Reflects GLAZA's record of revenue distribution. Actual transfers to ZETF occur two months in arrears and are recorded by the Department based on date of deposit.			

GLAZA Program Expense Breakdown

The following table reflects the breakdown of GLAZA's direct expenses for the Carousel operations and services. Operating Expenses include publications and printing, banks fees, postage, office and other expenses.

Carousel Direct Expenses Preliminary 2013-14	
Salaries and Benefits	81%
Insurance	11%
Operating Expenses	8%

E. Marketing, Public Relations, Site Rentals and Catered Events MOU

On May 3, 2013, the Department executed an MOU with GLAZA for LA Zoo's marketing, public relations, site rentals, and catered events services (Marketing). Council ratification of the Marketing MOU is contingent upon the submission to and approval by Council of the LA Zoo's updated Business and Marketing Plan (C.F. 13-0600-S119). Two amendments to the Marketing MOU have been executed and a third amendment has been proposed (Attachment 3). The first two amendments extended the deadline by which Council ratification must be obtained, and a third amendment has been proposed to insert clarifying language regarding GLAZA's financial commitments to the City (C.F. 13-1469).

Term

July 1, 2013 to June 30, 2016. MOU still requires Council ratification by September 30, 2014.

Agreement

Under the terms of the Marketing MOU, GLAZA will assume responsibility for the staff, design, implementation and management of the marketing, advertising, public relations program, site rentals and catering services for the LA Zoo. The Department will continue to be responsible for all public relations activities related to animals, conservation, education, and crisis

communications, internal communications for LA Zoo staff and City Employees, and coordination of all on-site filming. Department staff will work in concert with GLAZA on events, social media, and other aspects of the MOU. GLAZA will submit reports and information required by the Department to provide biannual reports to the Council regarding the implementation of LA Zoo's Business and Marketing Plan.

Marketing and Public Relations

The Marketing MOU is intended to provide expanded resources to market the LA Zoo in order to increase attendance, admissions, membership, concessions, and other revenue. GLAZA has committed to expend over \$8.3 million for marketing the LA Zoo over the three year term of the MOU. The table below reflects GLAZA's minimum contribution levels in support of marketing efforts under the terms of the Marketing MOU.

Fiscal Year	Funding Level
2013-14	\$ 2,550,000
2014-15	\$ 2,756,000
2015-16	\$ 2,966,241
Total	\$ 8,272,241

The following are milestones to be achieved during the term of the MOU as compared to the actuals for the base year of 2012-13:

- 5 percent annual increase of the Zoo's paid attendance;
- 11 percent annual increase of the Zoo's total admission revenue; and
- 21 percent increase of the Zoo's other earned revenue from concessions and membership during the three year term.

GLAZA may receive an admissions refund of up to \$4.07 million over the three year term of the MOU. These monies are to be used for the continued support of the marketing efforts. As detailed in the proposed third amendment to the Marketing MOU, the Department and GLAZA mutually agree to the admissions revenue sharing schedule provided in the table below. The revenue sharing schedule outlines that the Department will retain its portion of the admissions revenue prior to GLAZA receiving any admissions refund. Should the total admissions revenue exceed the total projected admissions revenue, excess funds will remain with the Department.

Admissions Revenue Sharing Schedule			
	2013-14	2014-15	2015-16
Zoo Department	\$12,350,000	\$13,100,000	\$13,850,000
GLAZA's Admissions Refund (to fund marketing of LA Zoo)	\$ 591,000	\$ 1,358,872	\$ 2,238,290
Total Projected Admissions Revenue	\$ 12,941,000	\$ 14,458,872	\$ 16,088,290

The proposed third amendment further stipulates that the City will not provide the admissions refund to GLAZA should the admissions revenue targets not be achieved. In the event that revenue targets are not met and the admissions refund not received, GLAZA will offset the budget shortfalls with GLAZA's working capital or other GLAZA-controlled funds.

Actual Program Source of Funds

In FY 2013-14, actual admissions revenue received was \$11.77 million, which is below the Department's portion of the revenue sharing schedule. Therefore, GLAZA will not receive an admissions refund for 2013-14. GLAZA reports that additional GLAZA controlled funds will be invested to meet marketing program expenses.

Based on information provided by GLAZA, the following table depicts the actual source of funds for the marketing and public relations program for the first year of the MOU as well as the actual direct expenses reported through early June 2014. Other GLAZA resources include GLAZA working capital, foundation restricted grants, and distributions from endowment.

Marketing and Public Relations	
Source of Funds	2013-14*
Admission Revenue Share from Zoo	\$ -
Marketing Sponsorships (net**)	\$ 185,849
GLAZA - Unrestricted Funds***	\$ 65,000
Other GLAZA Resources	\$ 2,399,151
Total	\$ 2,650,000
Expenses	
Marketing and Public Relations Direct Expenses	\$ 2,378,125
*Actual marketing and public relations direct expenses through early June 2014	
**Marketing sponsorships revenue less sponsorships direct expenses	
***Previously Zoo Assistance Fund	

GLAZA Program Expense Detail

The following table reflects the breakdown of GLAZA's direct expenses for the marketing and public relations program. Operating Expenses include postage, office, legal, consulting, accounting, and other expenses.

Marketing Program Direct Expenses Preliminary FY 2013-14	
Salaries and Benefits	21%
Advertising and Promotion	61%
Community Events	13%
Operating Expenses	5%

Catering and Site Rentals

Under the terms of the Marketing MOU, GLAZA will continue to manage and operate, either directly or through a subcontractor, all LA Zoo site rentals and catered events as well as invest in equipment, including heaters, chairs, tables and lighting.

Prior to the Marketing MOU, Catering and Site Rentals were included in the Concessions MOU, which provides that GLAZA remit a percentage of the revenue to the City. The Marketing MOU will exempt GLAZA from the commission percentages required in the Concessions MOU for the catering and site rentals revenue.

Actual Distribution of Revenue

In 2013-14, the Concessionaire paid GLAZA an annual commission of 16.5 percent of the catering gross revenue. According to the terms of the MOU, GLAZA retains 100 percent of the commissions as well as the entirety of the site rental fees to cover the costs to manage the events, provide marketing and invest in equipment to promote the growth of the LA Zoo as a special event venue. The following table depicts the actual revenue received from site rentals and catering services and distribution of revenue for first year of the MOU:

Catering and Site Rentals	
<i>Revenue</i>	2013-14
Catering Gross Revenue	\$ 94,834
Catering Annual Commission	\$ 15,648
Gross Site Rental Fees	\$ 64,352
Total Commission and Fees	\$ 80,000
<i>Distribution of Annual Commissions</i>	
GLAZA - 100% of Commission and Fees	\$ 80,000

2. ADDITIONAL GLAZA CONTRIBUTIONS TO THE LOS ANGELES ZOO

A. Staff Reimbursement to Department

GLAZA contributes to the Department’s operating budget through the transfer of funds to the ZETF to reimburse Department staff costs for the Behavioral Enrichment and Contact Yard Education programs. Additionally, GLAZA reimburses all Department and security staff overtime costs for GLAZA special events. Based on information provided by the Department, below is a table detailing the reimbursements GLAZA has transferred for the last three fiscal years.

GLAZA Reimbursements of City Staff			
	2011-12	2012-13	2013-14
Behavioral Enrichment Staff	\$ 67,655	\$ 63,448	\$ 58,816
Contact Yard Staff	\$ -	\$ 71,363	\$ 74,326
Zoo Department Staff Overtime	\$ 54,578	\$ 63,295	\$ 62,825
Security Staff Overtime	\$ 13,662	\$ 12,742	\$ 24,138
Annual Total	\$135,895	\$210,848	\$220,105

Please note the above figures are recorded on a cash basis, so the amounts received in each fiscal year do not necessarily reflect the total cost of services incurred during that fiscal year.

B. Debt Service for Elephants of Asia Exhibit

Under the terms of a Financing Agreement (Attachment 9), GLAZA is currently responsible for the debt service payments on the Municipal Improvement Corporation of Los Angeles (MICLA) funds used for the Elephants of Asia Exhibit. GLAZA has agreed to repay the total debt service amount

of \$14,098,648 along with interest. As of July 1, 2014, GLAZA has paid a total of \$3,748,446 in principal and \$541,152 in interest.

3. ADMISSIONS AND MEMBERSHIP FEES RECOUP FACTOR

The LA Zoo identified a change in visitor demographics over the last 10 years which demonstrates that member attendance has increased from 20 to 40 percent of total attendance, while paid attendance has decreased from 70 to 54 percent. The Department attributes this shift to a pricing relationship that has not been advantageous to both pricing structures, meaning that the membership rates have not increased commensurate with the admissions pricing increases.

The recoup factor refers to the ratio between the cost of daily admission prices to that of an annual membership and can also be defined as the number of visits required to recoup the annual membership cost. Below is a table comparing the family membership recoup factor for zoos with annual attendance over 1 million based on a family of two adults and two children. The average recoup factor for the 20 zoos listed is 2.08.

Membership Recoup Factor (Family of Four)			
August 2014			
Zoo (over 1 million Attendance)	2 Adult & 2 Child Admissions Total	Family Membership	Recoup Factor
Philadelphia Zoo	\$ 76.00	\$ 120.00	1.58
Milwaukee County Zoo	\$ 51.00	\$ 85.00	1.67
Pittsburgh Zoo	\$ 56.00	\$ 95.00	1.70
Kansas City Zoo	\$ 44.00	\$ 79.00	1.80
Cincinnati Zoo	\$ 52.00	\$ 94.00	1.81
Brookfield Zoo (Chicago)	\$ 57.80	\$ 105.00	1.82
Cleveland Metroparks Zoo	\$ 41.00	\$ 75.00	1.83
Houston Zoo	\$ 52.00	\$ 96.00	1.85
Detroit Zoo	\$ 48.00	\$ 89.00	1.85
San Antonio Zoo	\$ 43.00	\$ 80.00	1.86
Los Angeles Zoo	\$ 66.00	\$ 126.00	1.91
Columbus Zoo & Aquarium	\$ 49.96	\$ 99.00	1.98
Woodland Park Zoo (Seattle)	\$ 61.00	\$ 124.00	2.03
Omaha's Henry Doorly Zoo	\$ 50.00	\$ 104.00	2.08
Minnesota Zoo	\$ 60.00	\$ 130.00	2.17
Phoenix Zoo	\$ 68.00	\$ 155.00	2.28
Bronx Zoo	\$ 59.80	\$ 139.00	2.32
Denver Zoo	\$ 50.00	\$ 130.00	2.60
Oregon Zoo	\$ 40.00	\$ 114.00	2.85
Central Park Zoo	\$ 38.00	\$ 139.00	3.66

The Department and GLAZA considered relevant studies on industry standards and found variations in the recoup factor recommended for optimization of revenue ranging from 1.9 to 2.1. The LA Zoo Plan recommends a pricing strategy that achieves a recoup factor of a minimum of 1.9 visits for a family of four.

On July 17, 2014, the cost for family admissions was increased to \$66. Effective August 1, 2014, GLAZA increased the family membership fee from \$119 to \$126 to maintain the 1.9 recoup ratio.

4. DEPARTMENT 2013-14 REVENUE DEFICITS

The following table reflects the Department's budgeted and actual revenue over the last three fiscal years. Also included is the year over year percentage change for actual revenues.

ZOO DEPARTMENT RECEIPTS/REVENUES	2011-12 BUDGET	2011-12 ACTUAL	YOY % ACTUAL	2012-13 BUDGET	2012-13 ACTUAL	YOY % ACTUAL	2013-14 BUDGET	2013-14 ACTUAL	YOY % ACTUAL
Admissions Revenue	\$ 10,880,000	\$ 10,912,299	23%	\$ 11,600,000	\$ 10,826,862	-1%	\$ 12,941,000	\$ 11,767,915	9%
Concessions Revenue*	\$ 1,000,000	\$ 1,024,947	14%	\$ 1,000,000	\$ 949,183	-7%	\$ 1,124,191	\$ 942,600	-1%
Membership Revenue*	\$ 1,000,000	\$ 1,408,972	14%	\$ 1,200,000	\$ 1,367,926	-3%	\$ 1,640,780	\$ 1,366,459	0%
Other Zoo Receipts**	\$ 200,000	\$ 348,491	4%	\$ 375,000	\$ 731,308	110%	\$ 883,000	\$ 1,074,640	47%
Interest Income	\$ 96,241	\$ 45,715	-46%	\$ 96,241	\$ 66,502	45%	\$ 45,000	\$ 49,672	-25%
TOTAL RECEIPTS/REVENUE	\$ 13,176,241	\$ 13,740,423	21%	\$ 14,271,241	\$ 13,941,781	1%	\$ 16,633,971	\$ 15,201,286	9%
BALANCE: SURPLUS/(DEFICIT)		\$ 564,182			\$ (329,460)			\$ (1,432,685)	

*Actual transfers for Concessions and Membership revenue occur one month in arrears and are recorded by the Department based on date of deposit.
 **Other Zoo Receipts include Education Programs, Carousel, 4-D Theater, Preferred Parking, VIP Tours, Parking Lot Rental and Filming

Based on a comparison of the adopted budget estimates and the actual revenues received, the Zoo Department reports a 2013-14 revenue deficit of \$1.43 million. However, this deficit will be partially offset by funds totaling \$1.18 million. This amount includes \$257,000 in unanticipated revenues, \$336,000 in budgetary savings and \$591,000 of funds reserved for the admission refund to GLAZA. Unanticipated revenues include additional reimbursement of Zoo salary and expenses, facility use and special event fees, and other miscellaneous receipts. Budgetary savings include surplus funds in the Department's salary and expense accounts. Additionally, the 2013-14 admissions refund that was earmarked for potential payment to GLAZA will be retained by the Department because the projected admissions revenue was not met as stipulated in the Marketing MOU. The remaining shortfall is offset through the available funds in the ZETF. The Department is still completing the close out of Fiscal Year 2013-14 in order to evaluate the impact the overall deficit might have on the year-end balance of the Zoo Enterprise Trust Fund. The adopted budget projected the beginning balance for 2014-15 will be \$2.2 million.

The Department reports the deficit is mainly attributable to attendance projections being below what was budgeted. A decrease in attendance impacts admissions revenue, concessions revenue and membership revenue. The attendance shortfalls are attributed to the significantly delayed opening of the Rainforest of the Americas exhibit which was expected to open in summer 2013 but was delayed until April 29, 2014. Another minor contributing factor to the overall revenue shortfall is the delay in completion of the proposed 4-D Theater. The contract for the 4-D Theater is still being negotiated.