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PAUL KORETZ
Councilmember, Fifth District

May 2, 2017

Date: 5/2/17

Submitted in Budget Finance Committee

Council File No: 17-0600

Item No.: 1

~~Report~~ Communication from
Councilmember
Koretz

Members of the Budget and Finance Committee
Los Angeles City Council
City Hall
Los Angeles, CA 90012

RE: 2017-18 City Budget Report Back Question No. 60 – Zoo Department

Dear Committee Members:

On April 26, 2017, your committee requested a Report-Back from the Zoo Department on the fiscal impact of removing the elephants from the Elephants of Asia exhibit at the Los Angeles Zoo and Botanical Gardens (Zoo) and closing the exhibit. Reference was specifically made to a recently introduced motion in the context of making this request.

As the author of the motion in question (CF 17-0453), I feel it is important to note that, while the Report-Back for question 60 addresses the question that was asked, my motion involves the prospective removal of only one of the three current elephants from the exhibit and explicitly states that additional elephants may be added to the exhibit. In other words, my motion in no way calls for closure of the exhibit, and thus the information provided in the Report-Back bears no relation to the actions proposed in the motion.

I strongly believe that proper discussion of the Zoo Department budget, as well as of CF 17-0453, requires that we clearly understand what is under consideration and what is not. It is in that spirit I offer this clarification.

Thank you for your consideration.

Very truly yours,

Paul Koretz
Councilmember, 5th District

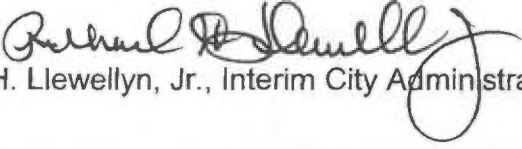


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Memo No. 3

Date: May 1, 2017

To: Budget and Finance Committee

From: 
Richard H. Llewellyn, Jr., Interim City Administrative OfficerSubject: **ZOO DEPARTMENT – ELEPHANT HABITAT**

During its consideration of the Zoo Department's 2017-18 Proposed Budget, the Budget and Finance Committee requested the Zoo Department to report on the financial impact of moving elephants out of the Zoo.

The Zoo Department reports that the total cost of the Elephant Habitat was \$41.48 million from four funding sources as follows:

Greater Los Angeles Zoo Association	\$18,948,648
Proposition A-2 (Los Angeles County)	11,913,540
Proposition CC (Los Angeles City)	8,319,110
Zoo Enterprise Trust Fund	<u>2,300,000</u>
Total	\$41,481,298

In the Zoo Department's response, the General Manager has expressed concerns that non-City monies expended on the project might need to be repaid if the Elephant Habitat is closed. The General Manager also indicates that closure of the habitat would represent a significant breach of trust in the Zoo Department's partnership with the Greater Los Angeles Zoo Association and philanthropic citizens who contributed to the project.

FISCAL IMPACT STATEMENT

The full General Fund impact of closing the Elephant Habitat at the Los Angeles Zoo is currently unknown. Additional discussion with the City Attorney will be necessary to fully determine the impact.

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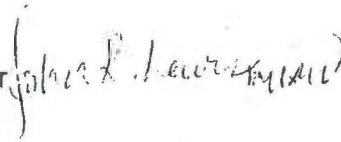
Question No. 60

**CITY OF LOS ANGELES
LOS ANGELES ZOO
INTER-DEPARTMENTAL CORRESPONDENCE**

DATE: April 28, 2017

TO: Budget and Finance Committee

FROM: John R. Lewis, General Manager
Zoo Department



**SUBJECT: ZOO DEPARTMENT - BUDGET AND FINANCE COMMITTEE REPORT
BACK QUESTION NO. 60**

This memo is in response to the Budget and Finance Committee's request for information regarding the financial impact of moving elephants out of the Zoo.

Background

In December 2010, the Zoo Department opened the new Elephants of Asia habitat. At 6.56 acres, it provides natural surfaces with varied terrain and hills, and includes a waterfall, two pools, and a 16,600 square foot, two-story barn. It is the largest habitat in the history of the L.A. Zoo and is capable of caring for elephants of all sizes and ages. The space provided also vastly exceeds the standards of the Association of Zoos and Aquariums, the accrediting organization for zoos and aquariums in North America that assures that highest standards for animal care and welfare are met.

Project Financing

The total cost of the Elephants of Asia project was \$41.48 million, with sources of funding as follows:

Source of Funds	Amount
Greater Los Angeles Zoo Association	\$ 18,948,648
Proposition A-2 (L.A. County)	11,913,540
Proposition CC (L.A. City)	8,319,110
Zoo Enterprise Trust Fund	2,300,000
TOTAL	\$ 41,481,298

Fiscal Impact of Habitat Closure

If the elephants were moved out of the Zoo and the Elephants of Asia habitat ceased to exist, there could be fiscal implications as it relates to the Proposition A-2 funds and possible repayment requirements. This issue was previously reviewed by the Office of the City Administrative Officer (CAO) in a report dated December 1, 2008 (attached), when the project was under construction (C.F. 08-2850). In this report, the CAO stated that, "Of the \$42 million project budget, \$12 million has been expended. If the project is

canceled, the City will have to repay \$10 million to the County of Los Angeles and to the City's General Obligation Bond Fund. In correspondence dated November 19, 2008, the City Attorney has advised that these funding sources must be repaid upon cancellation of the project. The County recently informed us that the City would be required to repay the \$4.9 million in expended County funds within 60 days of the decision to cancel the project....." The Zoo Department defers to the CAO and the Office of the City Attorney to further update this information.

In addition to the financial risks to the City, it is important to highlight the significant contribution made to this project by the Greater Los Angeles Zoo Association (GLAZA), with funds secured through fundraising from major donors, foundations and corporations. At the time of the previous debate regarding the Elephants of Asia project, GLAZA offered to pay the Municipal Improvement Corporation of Los Angeles (MICLA) debt service portion of the project in the amount of \$14,479,700 which eliminated the General Fund contribution to the project of approximately \$1.2 million per year for 20 years. GLAZA provided an upfront payment of \$6 million of its \$14,479,700 commitment at the time of permanent financing of the project, leaving an approximate balance of \$8.5 million of MICLA debt service to be financed. GLAZA has complied with its agreement with the City and completely fulfilled its financial contribution to this project ahead of schedule. The closure of the habitat would represent a significant breach of trust in our partnership with GLAZA and with some of the City's most philanthropic citizens who contributed to this project. Ultimately, this would significantly hinder GLAZA's future fundraising endeavors which are critically important as we develop a new master plan that will rely on support from the philanthropic community as part of the overall financial plan for the Zoo's future improvements.

JRL:DMV

Attachment

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 1, 2008
CAO File No. / 0220-04462-0003
Council File No. 08-2850
Council District: 4

To: Budget and Finance Committee

From: Raymond P. Ciranna, Interim City Administrative Officer 

Reference: October 21, 2008 Cardenas-Rosendahl-Alarcon Motion (C.F. 08-2850)

Subject: **Canceling the Los Angeles Zoo Pachyderm Forest Exhibit – Fiscal Impact**

SUMMARY

On November 19, 2008, this Office was asked to report on the fiscal impact of canceling the Pachyderm Forest Exhibit project. The Pachyderm Forest Exhibit project has a budget of \$42 million and has currently expended almost \$12 million on various project elements, including design, demolition, construction of a temporary yard and perimeter fencing. As discussed in our November 18, 2008 report, the cancellation of the Pachyderm Forest Exhibit project will cause significant fiscal impact to the City:

- The General Fund would have to repay \$10 million to the County of Los Angeles and the City's General Obligation Bond Fund. To mitigate this impact, the City could attempt to recover some of these costs, if a replacement exhibit is approved. However, this recovery plan is contingent on County approval of the replacement exhibit and reuse of the funds.
- The City would need to return GLAZA's \$5 million donation for the Pachyderm Forest Exhibit.
- A replacement exhibit would have to be constructed at the proposed 6.1 acre site. We do not have sufficient information to determine whether the City could build a replacement exhibit within the remaining project funds.
- The operating cost of a new exhibit is unknown. Given the large size of the exhibit and the likelihood that the number of animals would increase, the operating cost for any new exhibit could be comparable to the additional operating and maintenance cost of a new elephant exhibit with additional elephants.
- A policy decision on whether to move Billy to a sanctuary or follow Association of Zoos and Aquariums protocols on where to place him would have to be made by the City Council. If the City Council decides to move Billy to a sanctuary, the transportation and construction costs of this move would have to be paid by the City. Although we do not have an estimate for the transportation costs, the cost to move a female elephant in 2007 was about \$16,000. The cost to construct a new space at the sanctuary was estimated to be approximately \$2 million in 2005 and this figure would need to be updated.

Alternatively, if the City were to complete the proposed Pachyderm Forest Exhibit project the costs would be as follows:

- The project would be completed with the \$42 million in funding from various sources, including \$14.5 million in MICLA.
- The cost to the General Fund would be \$1.2 million a year, for 20 years, in debt service on the \$14.5 million.
- If the City authorizes the Zoo to acquire three additional elephants to be housed in the new exhibit, the initial cost of operating and maintaining the new elephant exhibit would be approximately \$522,500. This cost is comprised of \$459,000 in annual costs and \$63,500 in one-time costs. If we include the current cost of caring for Billy, the annual cost would be \$615,000.
- The cost to obtain the three additional elephants is unknown. The Zoo has reported that it would first attempt to obtain the animals through a transfer or loan, similar to the process used to obtain two of its recently acquired gorillas.

RECOMMENDATION

That the Council, subject to the approval of the Mayor receive and file the Cardenas-Rosendahl-Alarcon Motion

FISCAL IMPACT STATEMENT

The annual cost to the General Fund to construct the Pachyderm Forest Exhibit Project is \$1.2 million in MICLA debt service for 20 years. Additionally, the cost to operate and maintain the new 6.1 acre elephant exhibit, including the housing of three additional female elephants, is \$615,000 annually, plus a one-time cost of \$63,500.

FINDINGS

1. Current Project

The current budget for the Pachyderm Forest Exhibit is \$42,009,575 from five sources:

	Budget	Expenditures
Elephant-Specific Funding		
Proposition A-2 – Los Angeles County Bond Measure	\$11.91 M	\$4.89 M
Greater Los Angeles Zoo Association (GLAZA)	4.85 M	-
Zoo-Specific Funding		
Proposition CC – Los Angeles City Bond Measure	8.47 M	5.10 M
Zoo Enterprise Trust Fund	2.30 M	.28 M
Capital Project Eligible Funding		
Municipal Improvement Corporation of Los Angeles (MICLA)	14.48 M	1.70 M
Pachyderm Forest Exhibit Budget	\$42.01 M	\$11.97 M

2. Canceling the Project

Of the \$42 million project budget, \$12 million has been expended. If the project is canceled, the City will have to repay \$10 million to the County of Los Angeles and to the City's General Obligation Bond Fund. In correspondence dated November 19, 2008, the City Attorney has advised that these funding sources must be repaid upon cancellation of the project. The County recently informed us that the City would be required to repay the \$4.9 million in expended County funds within 60 days of the decision to cancel the project. Once these monies are repaid to the County, the City may reapply for the \$12 million allocation. However, County staff has indicated that the Board of Supervisors will make the final determination on whether these County bond monies would be awarded to an alternate project.

The repayment obligation of \$10 million poses a significant impact to the City's General Fund, especially given the size of our current deficit and the outlook for 2009-10 and beyond. As we discussed in our earlier report, the City could undertake an analysis to determine whether some of the expended monies could be redesignated as eligible under a new project. However, until this analysis is completed, we cannot estimate what portion of the \$10 million can be credited to a new project.

GLAZA has made a \$4.85 million commitment to the Pachyderm Forest Exhibit. If the project is cancelled, GLAZA has indicated that they would request that the City return the money so that they may return the donations to their donors.

A replacement exhibit would have to be constructed at the proposed 6.1 acre site. This site is located in the middle of the Zoo and cannot be left in its current condition. Given the size of the exhibit, we may need to build two exhibits to utilize the entire 6.1 acres. We do not have sufficient information to

determine whether the City could build a replacement exhibit within the remaining project funds. Also, we don't know whether the \$12 million in County bond monies will be authorized for re-use on another Los Angeles Zoo project by the Board of Supervisors. If the City moves ahead with a replacement project and the County monies are ultimately not provided, the City would have to replace these funds with MICLA. Additionally, depending on the cost of the replacement exhibit, the City would also likely need to replace the \$5 million in GLAZA funding.

To develop a cost estimate for a replacement project, the Zoo would need to determine which animal(s) to place in the exhibit space, thereafter, the Zoo and BOE would need to undertake a comprehensive analysis to determine what changes, if any, would be needed at the site. This analysis would also assist in determining how much of the expended monies could be eligible for a new use. The decision to place another animal in the yard would require extensive analysis beyond the scope of this report. The City Engineer has indicated that this process would take weeks to complete and possibly require the use of an outside consultant due to BOE's current workload.

The cost to operate and maintain the replacement exhibit is likely to be comparable to the cost to maintain the new elephant exhibit. The size of the exhibit would be the same and it is likely that the Zoo would acquire additional animals to house in the exhibit. The cost for the acquisition of additional animals is unknown, but are likely to be acquired via loans from other institutions, much like the Elephants would be.

The Zoo has experienced increased attendance as a result of opening new exhibits under the Zoo Bond Construction Program (Attachment 1). The cancellation of the existing project and the construction of a replacement project will delay Zoo attendance revenue increases by at least two years.

A policy decision on whether to move Billy to a sanctuary or follow Association of Zoos and Aquariums protocols on where to place him would have to be made by the City Council. If the decision is made to send Billy to the PAWS sanctuary, the City would be required to pay transportation costs for the move and construction costs for his new space. The transportation costs to move Ruby to the PAWS sanctuary were \$15,819 in 2007 and were paid by the Zoo. The Zoo has indicated that the cost to transport Billy would likely be higher. In 2005, PAWS estimated it would cost the City \$2 million to upgrade their facility to accommodate a male elephant. Given that the previous estimate is three years' old, we asked PAWS to give us an updated number and are awaiting a response. According to PAWS, the construction would need to be completed before the transfer.

3. Completing the Pachyderm Forest Exhibit

The City can complete the Pachyderm Forest Exhibit project within the \$42 million in funding from various sources. The City has received and evaluated construction bids for the final phase of construction and could award the construction bid to the lowest/responsive bidder. The project would be completed by June 2010.

The Zoo currently spends approximately \$156,000 to operate and maintain its current elephant exhibit. The additional cost to the City to operate and maintain a new exhibit with four elephants is

estimated to be \$459,000 annually, plus a one-time cost of \$63,500, and would be addressed during the annual budget process (Attachment 2). For comparison purposes, three other exhibits have been opened at the Zoo as part of the Zoo Bond Construction Program since 1998. The exhibits and their incremental operating and maintenance costs follow:

Exhibit (Opening Date)	Initial Budget Funding*	Ongoing Incremental Costs
Red Ape Rainforest (July 2000)	\$87,786	\$123,499
Sea Lion Cliffs (June 2005)	\$246,654	\$475,980
Campo Gorilla (November 2007)	\$182,877	\$206,966
Pachyderm Forest (June 2010)	\$522,500	\$459,000

*includes one-time costs

The City has opened several new exhibits at the Zoo and many facilities throughout the City in recent years. The cost to operate and maintain these facilities is considered as part of the annual budget process. Our office includes a five year projection on these costs as part of the supporting documentation provided to the Budget and Finance Committee. These costs are incremental and significant. However, many of the projects are being constructed as a result of voter-approved General Obligation Bonds and the City must operate them. To the extent that it can, the City has paced the completion of non-voter approved construction to mitigate the costs of opening and maintaining new facilities.

The construction of this project includes the issuance of \$14.5 million in MICLA. The annual debt service for this size issuance is \$1.2 million for 20 years. This cost is budgeted annually as part of the City's Capital Finance Administration Fund.

The Zoo plans to acquire three female elephants to exhibit in the new expanded exhibit. The cost of these animal acquisitions is not known. The Zoo has reported that it would first attempt to obtain the animals through a transfer or loan, similar to the process used to obtain two of its recently acquired gorillas.

4. Conclusion

Cancellation of the Elephant Forest Exhibit would require the City, at least initially, to repay \$10 million in voter-approved bond fund expenditures from the General Fund. It is uncertain at this time whether the City would be able to recuperate any of these funds and apply them towards construction of a new exhibit. Given the City's difficult financial situation in 2008-09 (and likely in 2009-10), it may not be possible for the City to identify funds to reimburse the bond expenditures discussed above.

We recommend that the City proceed with the completion of the Pachyderm Forest Exhibit project.

Attachment 1

Annual Zoo Attendance 1997-98 through October 2008

Fiscal Year	Attendance	Change	% Change	Exhibit	Opening Date
1997-98	1,249,834				
1998-99	1,365,819	115,985	9%	Chimps of the Mahale Mountains	August 1998
1999-00	1,368,998	3,179	0%		
2000-01	1,537,253	168,255	12%	Red Ape Rainforest	July 2000
2001-02	1,517,366	(19,887)	-1%	Winnick Family Children's Zoo	August 2001
2002-03	1,516,067	(1,299)	0%		
2003-04	1,389,639	(126,428)	-8%		
2004-05	1,396,538	6,899	0%		
2005-06	1,523,469	126,931	9%	Zoo Entrance & Sea Lion Cliffs	June 2005
2006-07	1,564,674	41,205	3%		
2007-08	1,602,171	37,497	2%	Campo Gorilla Reserve	November 2007
2008-09*	458,983				

*Through October 2008

Attendance increase since 1997 352,337 28%

Zoo Exhibit Incremental Operation and Maintenance Costs

Exhibit and Opening Year (FY)	Package	Ongoing Budget Funding	One-time Budget Funding	Total Budget Funding	Incremental Ongoing Costs
Pachyderm Forest	<i>Positions</i>				
	(2) Animal Keepers	104,000			104,000
	(2) Gardener Caretakers	90,000			90,000
	(1) Custodian	37,000			37,000
	(1) Maintenance & Construction Helper	43,000			43,000
	(4) PT Educational Interpretive Staffing	60,000			60,000
	<i>Animal Expenses</i>				
	Animal Food	30,000			30,000
	Veterinary Expenses	10,000			10,000
	<i>Exhibit Maintenance</i>				
	Landscape & Irrigation Supplies	10,000			10,000
	Pool, Ozone & HVAC Systems Maintenance	75,000			75,000
	<i>One-time Equipment/Expenses</i>				
	Radios		13,500		
	Office furnishings, locks, computers, trash cans, litter vacuum, etc.		50,000		
TOTAL COST		459,000	63,500	522,500	459,000
Campo Gorilla - FY 2007-08	<i>Positions</i>				
Data breakdown taken from adopted budget	(2) Animal Keeper (9 mos funding)	74,136			103,658
	(1) Gardener Caretaker (9 mos funding)	30,741			43,308
	<i>Educational Interpretive Staffing</i>				
	(4) PT Educational Interpretive Staffing	60,000			60,000
	<i>Maintenance</i>				
	Maintenance of Exhibit	18,000			
TOTAL COST		182,877		182,877	206,966

Attachment 2

Exhibit and Opening Year (FY)	Package	Ongoing Budget Funding	One-time Budget Funding	Total Budget Funding	Incremental Ongoing Costs
Sea Lion Cliffs - FY 2003-04					
Data breakdown taken from proposed budget					
	Positions				
	(5) Animal Keeper (5 months)	94,465			259,145
	(3) PT Animal Keeper (5 months)	22,022			96,270
	(6) Jaguar 800 mhz radios and accessories (\$2,800 each)		16,800		
	Uniforms (5-FT @\$150 ea; 3-PT @ \$60)		930		
	FF & E and PC's	2,800	34,537		2,800
	Dive Room FF & E	3,000	10,000		3,000
	Life Support/Exhibit Maintenance	52,500			52,500
	Additional Animal Food Cost	9,600			9,600
Sea Lion Cliffs - FY 2007-08	(1) Aquarist I (additnl Technical Support)				52,665
TOTAL COST		184,387	62,267	246,654	475,980
Red Ape Rainforest - FY 1999-00					
Data breakdown taken from proposed budget					
	(1) Animal Keeper	31,905			51,829
	(1) Gardener Caretaker	27,520			43,308
	(2) PT Animal Keeper	28,361			28,362
Total		87,786		87,786	123,499