



November 1, 2013

Honorable Eric Garcetti, Mayor
City of Los Angeles
City Hall, Room 303

Attention: Ms. Mandy Morales, Office of the Mayor

Honorable Los Angeles City Council
c/o: Office of the City Clerk
City Hall, Room 395

"Nurturing
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the human
experience"

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Richard Lichtenstein
ex officio member

John R. Lewis
Zoo Director

Honorable Members:

In accordance with the Ordinance that created the Zoo as an independent Council-controlled City Department, and Los Angeles Administrative Code Section 22.711, the Los Angeles Zoo hereby submits for Mayor and Council approval a three-year Strategic Business and Marketing Plan (Fiscal Year 2014–2015 through FY 2016–2017). The purpose of this Plan is to provide the structure by which to examine the current nature of the business, coalesce around the existing mission and new vision for the future, and chart courses of action that will enable us to meet our goals.

SUMMARY

The three-year Business and Marketing Plan formulates four key vision goals that were developed by Zoo and Greater Los Angeles Zoo Association (GLAZA) senior management that focus on the Zoo campus, conservation, the community and human capital. The goals are further supported by strategies and tactics that are based on a set of key assumptions relating to funding, operations, attendance, revenue and the development of the next phase of the Zoo Master Plan. Continued growth and improvement, as well as support from key strategic audiences, is critical for the Zoo to accomplish that which is set forth in this Plan.

BACKGROUND

On May 3, 2013, the Zoo Department executed a Memorandum of Understanding (MOU) with GLAZA for programs and services to be provided in the areas of public relations, marketing, special events, site rentals and catered events. Included in the MOU was a ratification clause which states that the "*MOU is subject to ratification by the City Council and may be ratified by Council before or at the time of the approval of the Business and Marketing Plans by Council.*" The language further requires that the Marketing and Business Plans be submitted to the City Council no later than November 1, 2013 and that if the Plans are not approved and adopted by December 31, 2013, that the MOU shall be void.



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Creation of the Zoo Department – Los Angeles Administrative Code (LAAC)

The Ordinance which created the Zoo as a separate Council-controlled City department established the requirement that the Department prepare a Marketing Plan and a Business Plan that requires prior approval of the City Council and the Mayor in order to become effective and before its implementation. Specifically, LAAC Sec. 22.711, states the following:

The Department shall prepare and submit to the Mayor and City Council, at least every five (5) years, a (1) Marketing Plan and (2) Business Plan. The Marketing and Business Plans shall contain marketing and financial projections for the Department for a maximum period of five (5) 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, concession(s) and other commercial enterprises.

Operating Agreement with the Greater Los Angeles Zoo Association

The Los Angeles Zoo receives support from the Greater Los Angeles Zoo Association (GLAZA) in accordance with the 25-year Operating Agreement between the City of Los Angeles and GLAZA approved by the City Council (C.F. 94-0989-S1) and executed in September 1997. GLAZA was established as a California nonprofit charitable corporation formed for the purpose of assisting the City in establishing, developing, beautifying, and improving the Los Angeles Zoo.

Pursuant to the Operating Agreement and LAAC Sec. 22.712, the General Manager can negotiate and execute MOUs with GLAZA for (1) fundraising; (2) terms and conditions of membership in GLAZA and distribution of membership funds between the Zoo and GLAZA, and (3) as appropriate, activities, other than fund raising, to be performed by GLAZA. The MOUs have their own respective periods of performance (maximum of three years), terms and conditions, but operate as sub-agreements to the Operating Agreement. Finally, each MOU must conform with and carry out the objectives and strategies of the Business and Marketing Plans as approved and adopted by the Mayor and City Council. Historically, the Zoo and GLAZA have executed MOUs in the following areas:

- Financial Assistance, Special Events and Community Affairs;
- Membership, Publications and Volunteer Programs; and
- Concessions

LOS ANGELES ZOO BUSINESS AND MARKETING PLAN OVERVIEW

The Business and Marketing Plan examines and reaffirms the Zoo's mission and debuts the new vision statement which was developed earlier this year when GLAZA and the Los Angeles Zoo formed a Long Range Planning Committee to develop a distinctive vision for the Zoo. This vision ties together actions and investments the Zoo must prioritize to stand out among American zoos in this century, as well as provide a zoo experience that evokes from visitors a sense of awe.

Vision Statement (2028)

We will leverage the diverse resources of Los Angeles to be an innovator for the global zoo community, creating dynamic experiences to connect visitors and animals.

After arriving at the vision statement, the Los Angeles Zoo and GLAZA established four goals, with the supporting strategies and tactics, within the context of the Zoo's mission and operations to realize this vision:

1. **Campus:** We will upgrade the campus with a focus on habitat, sustainability and the guest experience.
2. **Conservation:** We will create model conservation programs that encourage local action in Los Angeles for the global community as well as local action in global locations where we are active.
3. **Community:** We will create dynamic experiences to connect people with wildlife.
4. **Human Capital:** Create a work environment where the Los Angeles Zoo's vision is shared and employees, docents and volunteers understand their role in attaining the vision and achieving the strategic goals and objectives.

The Plan provides a detailed description of the Zoo, including a historical timeline, recent notable events and an overview of the Zoo Bond Capital Improvement Plan. The Plan also describes the products and services offered by the Zoo including educational exhibits, programs, and events, a venue for family recreation and conservation programs.

A key component of a Strategic Business Plan is an assessment of the institution's strengths, weaknesses, opportunities and threats, or a SWOT analysis. The Plan identifies that the Zoo possesses a variety of strengths and weaknesses that must be taken into account when planning the long-term future of the Zoo. The strengths and weaknesses presented in the SWOT analysis are those most frequently mentioned from 616 visitor exit interviews conducted by the Morey Group, as well as 160 completed internal surveys from Zoo employees.

Planning Assumptions and Projections

The planning assumptions used for developing the attendance, pricing structure and revenue projections are all predicated on the MOU with GLAZA for Marketing, Public Relations, Special Events, Site Rentals and Catered Events, as well as the following overriding assumptions:

- GLAZA achieves the deliverables, milestones and metrics listed above;
- The construction schedule for the Rainforest of the America's exhibit does not continue to slip; and
- Support from the City matches projections.

A significant element to the Plan is agreement by both organizations that a membership and admissions pricing strategy needs to be instituted, and that the recoup factor, the cost of admission against the cost of membership to see how many visits it would take to "recoup" the

membership investment, needs to stay at least at 1.9 which is based on industry standards. As a result of this coordinated pricing strategy, it has been mutually agreed that the admission rates and membership rates will be increased each of the next three years. As a result, pricing projections for Fiscal Years 2014-15 through 2016-17 are as follows:

Pricing Strategy

Fiscal Year	Adults	Children	Seniors	Group Rate (15+)	Family Membership	Recoup Factor
2012–2013	\$17.00	\$12.00	\$14.00	\$11.00	\$114.00	1.84
2013–2014	\$18.00	\$13.00	\$15.00	\$12.00	\$119.00	1.92
2014–2015	\$19.00	\$14.00	\$16.00	\$13.00	\$126.00	1.91
2015–2016	\$20.00	\$15.00	\$17.00	\$14.00	\$134.00	1.91
2016–2017	\$21.00	\$16.00	\$18.00	\$15.00	\$141.00	1.91

Revenue, Budget Projections and Assumptions

The Department’s operating revenue largely consists of receipts from admissions, concessions and membership. In the 2013-14 Budget, these receipts represent 86 percent of the total Zoo budget. The Department currently has a revenue sharing arrangement with GLAZA for all three categories of revenues which are further detailed in the Plan and will be subsequently included in MOUs with GLAZA. In addition, the Plan also discusses other revenues that are generated and/or received from other activities. Finally, this section of the Plan describes the Zoo Enterprise Trust Fund, its established purpose and historical uses and assumes there will be City support to utilize the Fund as it was originally envisioned.

The Plan discusses the Zoo’s operating budget by both reflecting on its history, and making projections for the future. Important to this discussion is the General Fund contribution to the Zoo which has varied greatly over the years, with the contribution decreasing by over 97 percent during the last eight years. While the Zoo recognizes the financial challenges that the City has faced, coupled with competing City priorities and core services, the Zoo also believes that it provides a community benefit that is central to the quality of life of our visitors. It is important for thriving communities like Los Angeles to provide quality recreational and cultural facilities and attractions. As a result, the budget projections which are further detailed in the Plan, assume a 10 percent contribution from the General Fund for each of the next three years.

Marketing Plan

The Marketing Plan includes a market analysis, utilizes market research, identifies primary and secondary target audiences and examines the “share of voice” and the Zoo’s competitors which informed the development of the four key marketing goals below that are supported by strategies and tactics. The following chart provides the attendance projections through Fiscal Year 2016-17.

Attendance Projections

Fiscal Year	GLAZA Members	Free	Paid General Admission	Paid Group Admission	Special	Total Attendance	Change
2012–2013	588,878	82,459	705,540	112,148	17,249	1,506,274	(10.24%)
2013–2014	601,750	79,380	798,000	126,360	24,495	1,629,985	7.59%
2014–2015	578,288	80,968	837,900	137,732	30,006	1,664,894	2.10%
2015–2016	537,981	82,587	879,795	151,506	36,008	1,687,877	1.36%
2016–2017	538,460	84,239	923,785	168,171	43,209	1,757,864	3.98%

Conclusion

The Plan identifies critical success factors that must be considered mandatory in order for the Zoo to accomplish the key vision goals and achieve the various projections contained in this Plan. They can be seen as crucial cornerstones in laying down the foundation of the next ten years and beyond. The Zoo is at a point where defining its future and charting the course is essential to becoming a premier zoological institution.

Finally, this Plan is intended to be a fluid and dynamic document such that if any of the assumptions presented herein change, or if there is a major environmental impact to the Zoo, then this document will be adjusted to reflect future impact and implementation. Therefore, the potential exists for goals, strategies and tactics to be modified, as appropriate.

RECOMMENDATIONS

Recommendations for Council action, subject to the approval of the Mayor:

1. Approve the Los Angeles Zoo Strategic Business and Marketing Plan Fiscal Year 2014-15 through Fiscal Year 2016-17; and
2. Ratify the Memorandum of Understanding between the Zoo Department and the Greater Los Angeles Zoo Association, executed on May 3, 2013 for Marketing and Public Relations and Site Rentals and Catered Events.

FISCAL IMPACT STATEMENT

The Zoo hopes that this Plan has provided a better understanding and appreciation of the Zoo, its mission and long-term vision and that the City will continue to invest in the Zoo at a sustained level which will serve as the foundation for our future growth. The assumptions put forth in the Plan represent growth in all areas, including the General Fund which would require an increase of approximately \$1.8 million in year one of the Plan, but is still over 80 percent below the highest General Fund contribution to the Zoo Department’s budget in Fiscal Year 2006-07.

The Zoo looks forward to working with your Offices as you consider the Los Angeles Zoo Strategic Business and Marketing Plan Fiscal Year 2014-15 through Fiscal Year 2016-17. At your convenience, I am available to discuss this matter further at (323) 644-4261.

Respectfully submitted,



John R. Lewis
General Manager and Zoo Director
Los Angeles Zoo and Botanical Gardens

Enclosure

cc: (Copies sent electronically)
Tom LaBonge, Councilmember – CD 4
Miguel A. Santana, City Administrative Officer
Gerry A. Miller, Chief Legislative Analyst
Dov Lesel, Office of the City Attorney
Board of Zoo Commissioners