

# Analyst Briefing Notes

## Budget Advisory Committee (January 13, 2006)

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January 5, 2006

## PART I: 2006 OPERATING BUDGET OVERVIEW

**Table 1: 2006 Proposed Budget**

	2005		2006 Proposed Operating Budget			Change 2006 Proposed from 2005 Budget		FY Incremental Outlook	
	2005 Approved Budget	2005 Proj Act.	2006 Proposed Base	2006 New Council Priorities	2006 Proposed Op. Bud.	\$	%	2007	2008
(In \$000s)	\$	\$	\$	\$	\$			\$	\$
<b>GROSS EXP.</b>	35,360.8	34,931.4	36,830.1	614.0	37,444.1	2,083.3	5.9	53.0	
<b>REVENUE</b>	23,795.3	23,603.0	25,033.0	620.0	25,653.0	1,857.7	7.8		
<b>NET EXP.</b>	11,565.5	11,328.4	11,797.1	(6.0)	11,791.1	225.6	2.0	53.0	0.0
<b>Approved Positions</b>	352.5	352.5	353.0	1.0	354.0	1.5	0.4		
<b>TARGET</b>					<b>11,797.0</b>				
<b>\$ Over / (Under) Program Target</b>					<b>(5.9)</b>				
<b>% Over / (Under) Program Target</b>					<b>-0.1%</b>				

### Executive Summary

- The 2005 projected net expenditure of \$11.328 million is \$0.237 million below the 2005 Approved Operating Budget of \$11.566 million. This favourable variance is primarily due to the deferral of consulting, contractual service and staffing costs as well as lower than expected utility costs. Underspensing has more than compensated for an overall revenue shortfall that can be attributed to weaker than expected admissions and retail sales.
- The 2006 Proposed Operating Budget for the Toronto Zoo is \$11.791 million net. This is comprised of \$11.797 million net for Base funding and (\$0.006) million net for New/Enhanced services. Approval of the 2006 Proposed Operating Budget will result in an increase to the Zoo's staff complement by 1.5 approved positions for ERP systems support and a seasonal membership clerk. The former has an annualized impact of \$0.053 million in 2007.
- The Zoo's 2006 Proposed Operating Budget is 2% (\$0.226 million) greater than its 2005 Approved Operating Budget. The proposed net budget of \$11.791 million aligns with the Program's 2006 affordability target. The additional funding is required to address some of the Program's key cost drivers including: negotiated salary and wage increases, economic factors and annualizations. Collectively, these expenditures alone represent a \$1.233 million base pressure.

- To mitigate the impact of its escalating non-discretionary costs, the 2006 Proposed Operating Budget incorporates the Zoo’s offer to raise its revenue budgets for food services and retail sales and to increase prices for its rides. Moreover, the Program has agreed to boost its revenue targets for parking and membership sales. In total, these measures produce base savings of \$0.987 million.
- For 2006, funding for new and enhanced services is strictly limited to Council’s highest priorities and those initiatives that are self-funded. Accordingly, the only new Zoo requests that are proposed are a Corporate Training Program as well as the application of OMERS savings to fund base pressures and the operating impact of the Zoo’s 2006 Approved Capital Budget.
- The 2006 Proposed Operating Budget incorporates the Zoo’s proposal to apply \$1.321 million in savings that the Program has accumulated as a result of its OMERS contribution holiday. Funding is to be allocated as follows: \$0.785 million over a five-year period for the job evaluation component of the Zoo’s CUPE settlement, \$ 0.400 million to replenish the Animal Transaction Reserve and \$0.136 million to increase the Zoo Stabilization Reserve. Since the first year job evaluation impact (\$0.116 million) is already included in the base, the 2006 Proposed Operating Budget recommends that these funds be used to finance the Zoo’s operating impact of capital and its other base pressures.

**Recommendations**

It is recommended that:

- (1) The Toronto Zoo 2006 Proposed Operating Budget of \$37.444 million gross and \$11.791 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Biology & Conservation	10,229.2	9,718.8
Marketing & Communications	10,134.6	682.4
Administrative & Site Services	15,290.2	15,047.2
General Management	1,118.1	1,082.2
Animal & Endangered Species	536.0	
Revenue & Recoveries	136.0	(14,739.5)
	<hr/>	<hr/>
Total Program Budget	37,444.1	11,791.1
	<hr/>	<hr/>

- (2) \$1.321 million of the Toronto Zoo's OMERS contribution holiday savings be applied to the following:
- (i) \$0.785 million to fund the Job Evaluation component of the CUPE settlement for the duration of the contract from 2005-2009;
  - (ii) \$0.400 million to replenish the Animal Transaction Reserve;
  - (iii) a contribution of \$0.136 million to the Zoo Stabilization Reserve; and
- that future application of the job evaluation component of the OMERS savings be reviewed on a yearly basis to ascertain the need for this funding source;
- (3) the General Manager and CEO of the Toronto Zoo investigate industry best practices for enhancing visitor levels and report to the Zoo Board of Management and the Budget Advisory Committee by June 2006;
- (4) the General Manager and CEO of the Toronto Zoo explore alternative revenue streams and other income sources for augmenting its current funding base and report to Budget Advisory Committee prior to the 2007 Operating Budget process; and
- (5) the General Manager and CEO of the Toronto Zoo report to the Budget Advisory Committee if total 2006 revenues exceed budgeted amounts, to seek approval for these funds to be applied to any outstanding accreditation concerns.

## PART II: BASE BUDGET

### Section A: 2005 Budget Variance Analysis

**Table 2: 2005 Budget Variance Review**

	2004 Actuals	2005 Approved Budget	2005 Projected Actuals *	2005 Approved vs Projected Actuals Variance Over / (Under)	
(In \$000s)	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	33,754.5	35,360.8	34,931.4	429.4	1.2
<b>REVENUES</b>	24,162.5	23,795.3	23,603.0	192.3	0.8
<b>NET EXP.</b>	9,592.0	11,565.5	11,328.4	237.1	2.1
<b>Approved Positions</b>	348.3	352.5	352.5	0.0	0.0

\*Projected Actual expenditures to year-end based on 3<sup>rd</sup> Quarter Variance Report

### 2005 Experience

The Zoo's Third Quarter Variance Report projection to year-end is \$11.328 million net. This represents a positive variance of \$0.237 million or 2.1%.

A number of factors have contributed to this favourable result:

- Consulting costs are under budget by \$0.047 million due primarily to timing and deferral of expenditures.
- Utility costs are currently under budget by 15.9%. This is largely driven by reduced use of air conditioning during the summer months, offset partially by higher water usage. The Zoo anticipates that hydro and natural gas costs will come in under budget by year's end.
- Underspending has also occurred as a result of deferrals in filling staff positions, as well as delays and/or cancellations in contracted services. In all, management continues to monitor planned expenditures and hold-back on discretionary spending as required. Expenditures for the year are thus expected to be \$0.429 million below budget.

- With respect to revenues, attendance was not adversely affected by the exceptionally hot summer. In addition, the unseasonably warm autumn helped boost September admissions by 1.2% above budget. As a result, the Zoo is still on track for 1,165,000 visitors for the year. However, meeting the attendance budget will not flow through to revenue. The attendance numbers are skewed towards members, pass-holders and infants and mask a shortfall in regular admissions and school groups. The latter two segments are higher priced and therefore generate greater revenue. Accordingly, despite increased parking and food sales, the Zoo is projecting an end-of-year unfavourable revenue variance of \$0.192 million due to weaker than expected admissions and retail sales.

### **Impact of 2005 Operating Variance on 2006 Proposed Budget**

The 2006 Proposed Base Budget for the Toronto Zoo reflects expenditures of \$36.830 million gross which is \$1.899 million or 5% over gross 2005 Projected Actuals, and \$11.797 million net which is \$0.469 million or 4% over net 2005 Projected Actuals.

The 2006 net variance of \$0.469 million is due to the following factors which, in part, address 2005 actual experience:

- Salary and wage increases for union and exempt staff that total \$0.676 million for 2006;
- \$0.275 million to fund the annualized impact of the four new positions that were approved in 2005;
- An adjustment of \$0.283 million for non-salary economic factors, as estimated by the City, to offset escalating utility costs;
- A net decrease of \$0.199 million to reflect increased revenue from food sales; and
- Offsetting revenue increases of \$0.823 million for projected growth in rides, parking, and membership sales.

## Section B: 2006 Proposed Base Budget

Table 3: 2006 Proposed Base Budget

(In \$000s)	2005 Approved Budget	2006 Requested Base	2006 Proposed Base	Change 2006 Proposed Base v. 2005 Approved Budget		FY Incremental Outlook	
				\$	%	2007	2008
<b>GROSS EXP.</b>	35,360.8	36,795.1	36,830.1	1,469.3	4.2		
<b>REVENUE</b>	23,795.3	24,186.1	25,033.0	1,237.7	5.2		
<b>NET EXP.</b>	11,565.5	12,609.0	11,797.1	231.6	2.0	0.0	0.0
<b>Approved Positions</b>	352.5	352.5	353.0	0.5	0.1		
<b>NET TARGET</b>			<b>11,797.0</b>				
<b>\$ Over / (Under) Program Target</b>			<b>0.1</b>				
<b>% Over / (Under) Program Target</b>			<b>0.0%</b>				

## 2006 Proposed Base Budget

- The 2006 Proposed Base Budget of \$11.797 million net aligns precisely with the Zoo's 2006 affordability target. Total net expenditures represent a 2% (\$0.232 million) increase over the Zoo's 2005 Approved Budget.
- The additional \$1.470 million in gross expenditures proposed for 2006 are needed to fund the Zoo's negotiated settlements and wage increases for exempt staff as well to address (non salary) economic factors, higher benefit costs and incremental costs arising from 2005 Council decisions that only had part year funding.
- The 2006 Proposed Base Budget incorporates projected revenue increases from the Zoo's food services, rides, concerts, sponsorships, parking and membership services. In total, revenues are expected to rise by \$1.238 million over 2005.
- The increase in the Zoo's staff complement by 0.5 approved positions, as a result of the 2006 Proposed Base Budget, is for a seasonal membership clerk. With membership sales expected to increase by \$0.200 million net in 2006, this position is required to expedite the processing of additional applications.

**2006 Key Cost Drivers**

- The Zoo's revenues are primarily driven by attendance. Visitor levels not only impact admissions, but also on-site revenues including parking, retail, rides and food services. Although the Zoo is on track to achieve budgeted attendance of 1,165,000 visitors in 2005, failure to reach this level in 2006 will result in a significant net pressure.
- Depending on the visitor mix, meeting the attendance target could still result in a budget shortfall. To date, the percentage of non-paying and discount customers (Zoo members, pass holders, and children under 4) is higher than in 2004. If this trend away from full-fare regular admissions continues, the Zoo's revenue budget will be adversely impacted.
- Negotiated salary and wage increases, as well as the annualized impact of four new positions that have been added in 2005, are non-discretionary expenditures that the Zoo must fund.
- Similar to many City Programs, the Zoo is expecting higher utility, material and supply costs in 2006.

**Table 4: Summary of Proposed Base Budget Changes  
From 2005 Approved Budget**

	Summary of 2006 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2007	2008
(\$000's)		\$	\$	\$	\$	\$
<b>2005 Approved Operating Budget</b>	<b>352.5</b>	<b>34,864.3</b>	<b>23,795.3</b>	<b>11,069.0</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments		496.5		496.5		
<b>2005 Approved Operating Budget</b>	<b>352.5</b>	<b>35,360.8</b>	<b>23,795.3</b>	<b>11,565.5</b>	<b>0.0</b>	<b>0.0</b>
Annualizations		386.5		386.5		
Economic factors		846.9		846.9		
<b>Adjusted Base Budget</b>	<b>352.5</b>	<b>36,594.2</b>	<b>23,795.3</b>	<b>12,798.9</b>	<b>0.0</b>	<b>0.0</b>
Other base changes		149.9	164.7	(14.8)		
Base revenue changes		51.0	226.1	(175.1)		
<b>2006 Base Budget Request</b>	<b>352.5</b>	<b>36,795.1</b>	<b>24,186.1</b>	<b>12,609.0</b>	<b>0.0</b>	<b>0.0</b>
Recommended Base Adjustments:						
Other base changes						
Service efficiencies						
Revenue adjustments	0.5	35.0	846.9	(811.9)		
Minor service impact						
Major service impact						
<b>Total Proposed Base Adjustments</b>	<b>0.5</b>	<b>35.0</b>	<b>846.9</b>	<b>(811.9)</b>	<b>0.0</b>	<b>0.0</b>
<b>2006 Proposed Base Budget</b>	<b>353.0</b>	<b>36,830.1</b>	<b>25,033.0</b>	<b>11,797.1</b>	<b>0.0</b>	<b>0.0</b>
<b>2006 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>11,797.0</b>		
<b>% Over (Under) Program Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.0</b>		
<b>% Over (Under) 2005 Approved Budget</b>	<b>0.1</b>	<b>4.2</b>	<b>5.2</b>	<b>2.0</b>		

**Section C: 2006 Base Budget Issues**

**Key Issues and Recommendations**

**Enhanced Revenue Generation & Targets**

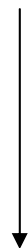
- *Attendance*

As noted on page 7, the revenue generated by the Zoo is largely a function of visitation levels. Attendance drives on-site revenues including retail, parking and food services. Hence, it is imperative that the Zoo meet its attendance objectives and, in light of escalating costs, grow its customer base.

The Zoo is projecting 1,165,000 visitors for 2005. This is in line with its current budget as well as that of 2004. Considering that this was one of the hottest summers on record, meeting the attendance target is a most welcome development. However, while the Zoo is projecting similar visitor levels for 2006, the target masks the fact that attendance has largely stagnated, and even declined over the past twenty years. For instance, the 1,165,000 visitors projected for 2005 and 2006 are less than what was achieved in 1984 and 1990 respectively. In fact for every year between 1984 and 1994 (except 1992), the Zoo achieved attendance levels that are higher than its current 1.165 million target. Most of those years did not feature any new exhibits or special attractions to renew public interest in the Zoo. Indeed, even with the negative publicity produced by the monorail crash, the Zoo still generated 1.168 million visitors in 1994.

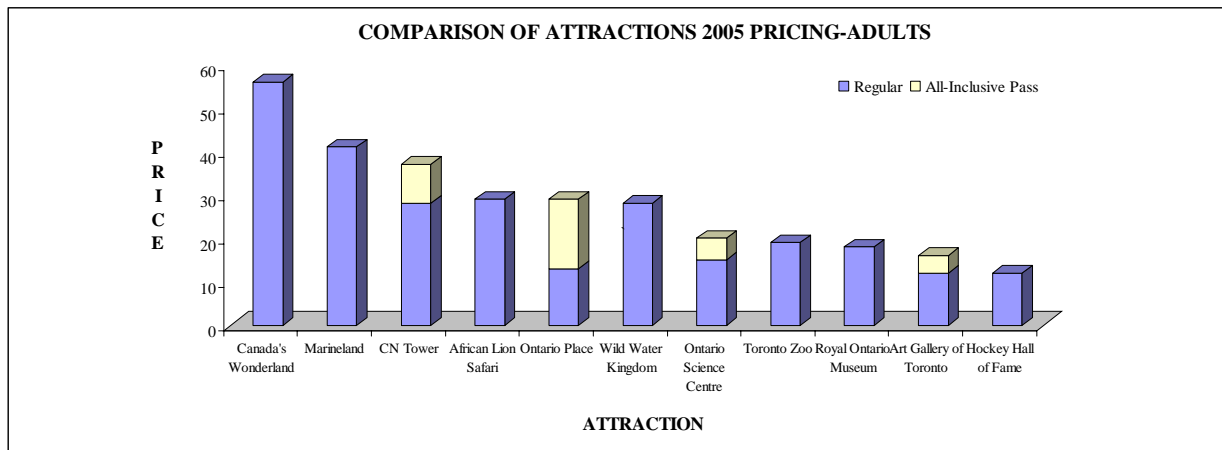
It is a real concern for the City that despite the tremendous population growth in the Greater Toronto Area over the past twenty years and that although the Zoo continues to be extremely price competitive (Exhibit 1), its visitor base is flat. In its *Revenue Enhancement Strategies and Business Planning Report*, the consultants' study anticipated attendance improving from 1.182 million in 1997 to 1.342 million in 2003. This projection assumed no changes to the current Zoo operation. Yet, notwithstanding the millions of dollars invested to improve services and refurbish exhibits over the past decade (i.e. the African Savannah exhibit, the Amphitheatre, the Children's Zoo and Splash Island), there has been no sustained increase in patronage. However, these investments have served to arrest the declining attendance trend and stabilize visitor levels over the last five years, a period in which many competing attractions have seen attendance declines:

Attendance Trends for Attractions in the GTA (000s)						5 Yr Avg
2000	2001	2002	2003	2004		
Toronto Zoo	1,155.5	1,251.0	1,138.8	1,075.2	1,222.9	1,168.7
ROM	1,062.8	888.1	1,143.7	806.4	881.2	956.4
Ontario Place	1,271.0	1,227.6	1,285.0	1,039.9	1,103.7	1,185.4
CN Tower	1,864.0	1,732.0	1,672.7	1,206.5	1,576.7	1,610.4
OSC	949.5	971.8	770.6	823.7	1,013.7	905.8
AGO	612.0	599.4	561.6	445.2	665.4	576.7
Casa Loma	371.4	420.2	416.7	283.2	363.1	370.9



While attendance often spikes with the introduction of a new exhibit or a unique feature, it is not logistically nor financially feasible for the Zoo to launch major new openings on a yearly basis in order to capture higher crowd levels. Other means must be found to boost visitor turnout.

All in all, it is incumbent upon the Zoo to grow its attendance. Otherwise, the organization will be increasingly dependent upon City funding for its continued operation. To alleviate this pressure, it is recommended that the Zoo investigate industry best practices for enhancing visitor levels.



- **Rides**

The Zoo’s other proposal for defraying costs is to increase the price of the Zoomobile ride from \$5 to \$7 and the other rides by \$1. This would generate incremental revenues of \$0.230 million. Because ride rates have remained unchanged since 2000, this price increase is warranted. Even at the new rates, it is unlikely that ridership will be significantly impaired. For instance, because the Zoomobile can be accessed multiple times during a visitor’s stay, it is expected that the ride will still be perceived as excellent value by the public. The 2006 Proposed Operating Budget therefore accepts the Zoo’s offer to increase the revenue target for rides by \$0.230 million.

- **Parking**

Parking revenues are budgeted at \$1.666 million for 2005. In its *Preliminary Operating Results* report, however, the Zoo indicated that its actual parking revenues are exceeding budget by \$0.203 million as of October 31<sup>st</sup>. With November attendance tracking to budget, it is anticipated that this will be the third year in a row that the Zoo surpasses its parking target.

It is therefore recommended that the Zoo’s 2006 revenue budget for parking be raised by \$0.3 million to reflect actual experience. In 2003, despite the SARS outbreak and the City’s power outage, the Zoo realized parking revenue of \$1.771 million on attendance of 1.050 million. With 1.165 million visitors projected for 2006, \$1.966 million from parking can be feasibly achieved without increasing the price above the current \$8 charge.

- ***Retail Sales***

- For 2006, the Toronto Zoo is raising its performance target for retail sales per visitor from \$2.40 to \$2.45. It has therefore offered in its submission to correspondingly increase its 2006 retail sales forecast from \$2.795 million in 2005 to \$2.853 million in 2006. This results in a base budget net savings of \$0.058 million which flows through to the 2006 Proposed Operating Budget.

- ***Food Services***

Net income from the Zoo's restaurant operations has grown significantly from \$0.548 million in 2003 to \$0.989 million in 2004. With food sales expected to remain strong in 2006, the Zoo initiated in its submission a revenue change that results in a net expenditure reduction of \$0.199 million. These savings are also incorporated into the 2006 Proposed Operating Budget.

- ***Memberships***

Patrons have an option to purchase memberships which entitle them to unlimited access to the Zoo. Because they represent tremendous value to regular visitors, Zoo membership sales have increased from 25,071 in 2001 to a projected 28,500 in 2005. Memberships are a vital revenue stream and represent stable cash flow. They also provide a list of contacts for future fund raising efforts.

In 2004, the Zoo's 27,917 members generated \$2.3 million for the organization. However, for 2006, the Zoo is budgeting only \$2.142 million for membership revenue, although membership sales are projected to reach 29,000. It is therefore recommended that the revenue budget for memberships be conservatively increased by \$200,000 net to \$2.342 million. To ensure that the higher volume of membership applications is processed in an expeditious manner, an extra seasonal membership clerk is also proposed. This additional 0.5 approved position is to be fully funded from the resultant increased revenue.

- ***Education Programs***

The Zoo is requesting a net expenditure increase of \$23,900 to reflect a decrease in revenue from Education Programs. This is due to the fact that there will be one less week of Education Program operations in 2006 as a result of the longer school year. Nevertheless, for Education Programs as a whole, the Zoo is projecting revenues to increase by \$44,000 next fiscal year. Accordingly, the request for a net increase is not recommended since there appears to be uncertainty as to whether a revenue shortfall or gain will in fact be realized in 2006.

- ***Admission Pricing***

As a means of offsetting its growing base costs, the Zoo submitted a 2006 Base Budget reduction proposal to increase its general admission rates from \$19 to \$20. Although the Zoo continues to offer good price value and could probably support this higher admission price, this is not an opportune time for implementing a rate increase. While it is difficult to measure the price sensitivity of Zoo patrons, there is a concern that raising admission fees for a second consecutive year will further erode paid attendance, especially since there is no new exhibit or special event to feature in 2006.

- *Alternative Revenue Streams*

While no zoo is completely self-sustaining, the City's financial aim, given its overall operating budget pressures, is to minimize, as much as possible, municipal funding for the Zoo. In order to do this, the Zoo must grow its existing revenue base as well as explore alternative revenue streams. New revenue enhancement opportunities may range from the relatively simple, such as the introduction of supervised animal feedings or implementing off-season variable pricing, to the more innovative like the production of ethanol from animal manure (as suggested in a recent article of the *Toronto Star*, Sept 24th). Although the latter proposal has been considered by the Zoo and determined to not be economically viable (*The Zoo as a Source of Green Energy* – Nov 29, 2005 Zoo Board of Management, Report #10) and while similar ideas may also prove to be impractical, it is recommended that the Zoo seek out other sources of income to augment its traditional funding base.

### *3 Year Operating Budget Overview*

- The Toronto Zoo's 2006 Operating Budget submission is informed, in part, by its ten-year *2001 Strategic Plan*. The Plan sees the Zoo positioned as a leader in conservation, a centre for education and research, and a respected community institution.
- In its submission, the Zoo requested a 2006 Operating Budget of \$12.455 million. This is 7.6% over its 2005 (Adjusted) Approved Budget of \$11.566 million. This \$0.889 million increase is almost exclusively driven by COLA adjustments as well as requests for new/enhanced services.
- The 2006 Proposed Operating Budget for the Toronto Zoo is \$11.791 million. This includes a net expenditure decrease of \$0.006 million which results from the approval of one new service: a Corporate Training Program.
- The Program's 2006 Proposed Operating Budget of \$11.791 million is slightly under its net target of \$11.797 million. The Proposed Budget incorporates the Zoo's escalating base expenditures and attempts to minimize their effects by recommending higher targets for select revenue sources.
- The Zoo's 2006 Proposed Operating Budget represents a 1.95% net (\$0.226 million) increase over its 2005 approved level. In addition, the Program's staff complement would grow by 1.5 approved positions, from 352.5 to 354.
- For 2006, standard base changes (prior year impacts, merit/step increases, and economic factors) alone account for an incremental net pressure of \$1.233 million.
- Although no efficiencies or service rationalization options were identified in its submission, to help mitigate the impact of its rising costs, the Zoo has offered to increase Zoomobile and other ride rates in 2006 as well as increase its revenue budget for its food operations. Furthermore, the Program has agreed to raise its revenue targets for parking and memberships sales. Collectively, the recommended proposals result in a net expenditure reduction of \$1.002 million.

- Approval of the Zoo's 2006 Capital Plan results in incremental operating impacts of \$0.058 million in 2006 and \$0.053 million in 2007. Funding is needed for the addition of one new approved position that is required for the ongoing management and maintenance of the Zoo's new Enterprise Resource Planning (ERP) system. To finance this new request, the 2006 Proposed Operating Budget recommends the application of the Zoo's OMERS contribution holiday savings (see pg. 19).
- The Zoo's new/enhanced service initiatives do not correspond with Council's highest priorities. Accordingly, in addition to the ERP position and other net zero initiatives that are supported by OMERS savings, only the request for a self-funded Corporate Training Program is recommended.
- The Zoo has four key performance metrics: attendance levels, membership sales, retail sales per visitor and food sales per visitor. Although for 2006, the Zoo is not projecting greater attendance and membership sales beyond what was budgeted for in 2005, retail and food sales per visitor are expected to increase by 2% and 6.4% respectively.
- The Zoo's new collective agreements call for average annual wage increases of 3%. In the absence of heightened revenue, service efficiencies and/or major cost cutting measures, the Zoo will be challenged to meet the City's 0% target in 2007 and 2008.

### *Service Levels & Delivery*

The following significant achievements were accomplished by the Zoo in 2005:

- Introduction of a new interactive show called "Drum Café" which was well received by visitors;
- Continuation of a program to address animal welfare and maintenance concerns cited by the American Zoo and Aquarium Association (AZA) and the Canadian Council of Animal Care, two agencies that accredit the Zoo;
- Implementation of operational changes to improve customer service in parking, admissions, and site cleanliness on busy days;
- Increasing Zoo memberships to 27,800, a record high, representing a growth of 27% compared to six years ago; and
- Successfully negotiating a five-year collective agreement for the Zoo's unionized staff.

In line with its vision, the Zoo endeavours to offer exciting experiences that inspires visitors to care about nature and commit to personal action. In addition, the Zoo is constantly looking to build a higher profile in wildlife education, conservation and research as well as strengthen community involvement and public pride in the Zoo.

To continue to fulfill its mandate, the following are some of the priority service goals that the Program has established for 2006:

- Achieve an attendance level of 1,165,000 by promoting the Zellers Discovery Zone and a program of family-oriented summer events;
- Prepare for the 2007 AZA accreditation visit by ensuring deficiencies in animal and public areas noted previously are corrected;
- Introduce a formal animal enrichment program; and
- Continue to improve the animal shows and explore the feasibility of expanding the animal outreach program.

### **Issues Referred to 2006 Operating Budget Process**

During consideration of the Zoo's 2005 Approved Operating Budget, City Council recommended that:

- the General Manager of the Toronto Zoo develop and report back, as part of the 2006 Operating Budget process, revised retail targets, including comparators from other jurisdictions, and options for improving performance results with respect to on-site revenues.

This request is currently outstanding.

### **Outstanding Issues from 2005 and Prior Years**

None

**Appendix A**

**Summary of Service Level Adjustments**

**PART III: NEW COUNCIL PRIORITIES**

**Section D: 2006 Proposed New Council Priorities**

**Table 5: Summary of 2006 Proposed New Council Priorities (\$000)**

Council Priority	Description	Total 2006 New Requests		2006 Not Proposed		2006 Proposed Council Priorities		Proposed New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.	Gross Exp.	Net Exp.	Gross Exp.	Net Exp.		2007	2008
		\$	\$	\$	\$	\$	\$	#	\$	\$
<b>Council Priorities:</b>										
	Sub-Total Council Priorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>New Requests Referred to 2006 Operating Budget:</b>										
	Sub-Total Referred	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>New Program Requests:</b>										
1	Health & Safety	24.0	24.0	24.0	24.0					
1	Maintenance and State of Good Repair	107.0	107.0	107.0	107.0					
1	Services & Equipment	134.3	134.3	134.3	134.3					
1	Animal Care, Equipment & Maintenance	90.9	90.9	90.9	90.9					
1	AZA Accreditation Requirements	54.8	54.8	54.8	54.8					
1	AZA Accreditation - Elephants	25.1	25.1	25.1	25.1					
1	Staffing	19.4	19.4	19.4	19.4					
1	Seasonal Staffing	157.2	157.2	157.2	157.2					
1	Equipment, Maintenance & Supplies	54.9	54.9	54.9	54.9					
1	Corporate Training Program	20.0	(6.0)			20.0	(6.0)			
N/A	ERP Maintenance	58.0				58.0		1.0	53.0	
N/A	Animal Transaction Reserve	400.0				400.0				
N/A	Zoo Stabilization Reserve	136.0				136.0				
	Sub-Total New Program Requests	1,281.6	661.6	667.6	667.6	614.0	(6.0)	1.0	53.0	0.0
<b>Total New Council Priorities</b>		<b>1,281.6</b>	<b>661.6</b>	<b>667.6</b>	<b>667.6</b>	<b>614.0</b>	<b>(6.0)</b>	<b>1.0</b>	<b>53.0</b>	<b>0.0</b>
<b>Council Priority</b>										
1 - Improve Public Service					6 - Ensure housing is affordable					
2 - Make Progress on the Waterfront					7 - Get the powers and funding needed for Toronto to succeed					
3 - Improve Business Climate					8 - Improve the planning process					
4 - Make Toronto a clean and beautiful city					9 - Increase public involvement in civic affairs					
5 - Strengthen our at-risk neighbourhoods					10 - N/A					

## Key Issues and Recommendations

### *2006 New Council Priorities*

For 2006, funding for new and enhanced requests is strictly limited to those which support Council's highest priorities (i.e. "Clean and Beautiful City", 3-1-1 Customer Service Strategy, Neighbourhoods at Risk and Year of Creativity).

Although all of the Zoo's new requests align with Council's mandate to "improve public services", none of them are deemed to qualify as high Council priorities.

### *Council Priorities Referred to 2006 Operating Budget Process*

None

### *2006 New Program Requests*

- All proposed new program requests are to be restricted to items that are fully funded. Accordingly, it is recommended that the Zoo's request for a "Corporate Training Program" be approved.

Under this initiative, training workshops would be developed jointly with a corporate provider to build awareness in the community of the Zoo's programs and its emerging role in sustainable development. The program, with a full cost of \$20,000 and associated revenue of \$26,000, will produce net savings of \$6,000.

- A number of the Zoo's new requests are driven by concerns of agencies that certify the Zoo (i.e. the American Zoological Association and the Canadian Association of Zoos and Aquariums). The Toronto Zoo has been found to be deficient in certain areas by these outside groups and is seeking additional funds to address these matters. However, during the 2005 Operating Budget Process, the Zoo was given an extra \$0.150 million to attend to its major accreditation issues. It is recommended that any further funding for this purpose be found internally from cost savings. Alternatively, as was recommended for 2005, if the Zoo is able to exceed its revenue targets, the surplus could be applied, upon Council approval, to outstanding priority accreditation concerns.
- **OMERS Savings**

Although already invoiced for repayment by the City, in an effort to reduce the pressures on its Capital Works Program and its Operating Budget, the Toronto Zoo is requesting that the accumulated surplus of \$3.321 million that it presently holds from the Zoo's OMERS contribution holiday be allocated as follows:

- 1) \$2.0 million for its 2006/2007 Capital Budget so as to allow the Zoo to begin the initial Tundra construction phase of the North Zoo Site Redevelopment Project;

- 2) \$0.785 million to fund the Job Evaluation component of the CUPE settlement for the five-year duration of the contract;
- 3) \$0.400 million to replenish the Animal Transaction Reserve; and
- 4) \$0.136 million to boost the Zoo Stabilization Reserve.

At its meeting on December 8-9, 2005, City Council approved the \$2.0 million as part of the Zoo’s 2006 Capital Budget. Likewise, in an effort to reduce the Zoo’s non-discretionary pressures, the 2006 Proposed Operating Budget recommends the application of the remaining OMERS savings as requested.

**a) Job Evaluation**

The creation of a reserve fund for the 5 year impact of the job evaluation component of the 2005 CUPE settlement through application of \$0.785 million of the accumulated OMERS savings will reduce the operating budget pressures on the City from 2006-2009, as collective agreement requirements are funded by the City. The payment stream required to fund the job evaluation component of the collective agreement over the 5 year duration is as follows:

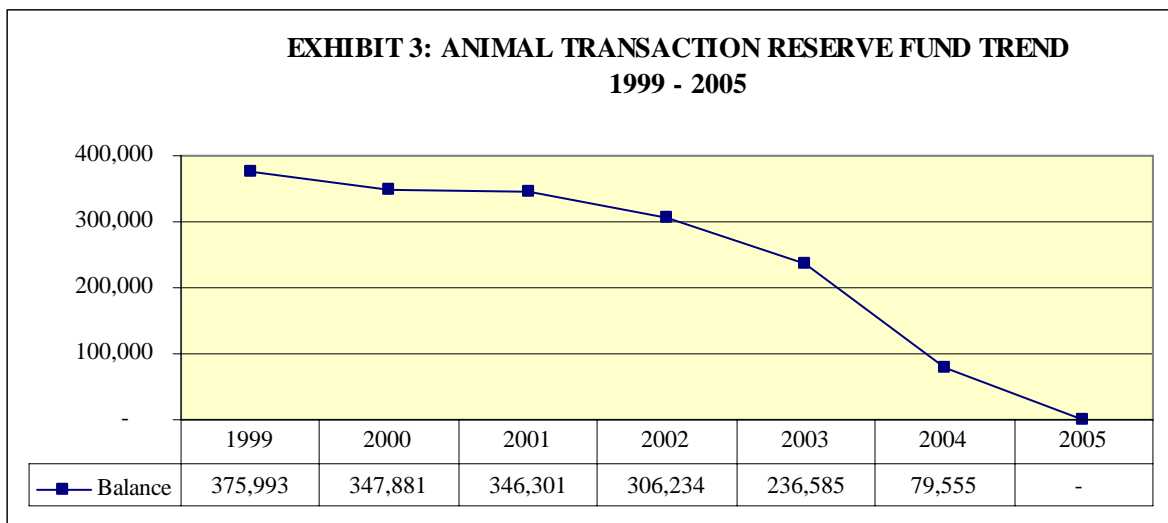
<b>EXHIBIT 2: TORONTO ZOO</b>					
<b>2005 - 2010 JOB EVALUATION CASH FLOW</b>					
<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>TOTAL</b>
116,000	159,000	165,000	170,000	175,000	785,000

Since the 2006 Proposed Base Budget already includes the first year impact of \$0.116 million, it is recommended that half of this amount (\$0.058 million) be used to fund the first year impact (mid-year hire) of the previously approved ERP position that is to be transferred from the capital works program to the Operating Budget. The remainder would be applied against the Zoo’s base pressures in order to enable the Program to reach its 2% net target. The Zoo recognizes that an internal offset of \$0.053 million will need to be found in 2007 to fund the annualized impact of the ERP position.

In proceeding with this proposal, the immediate 2006 budget pressures are addressed and it also provides a reasonable timeframe for the Toronto Zoo and Financial Planning staff to work towards a plan for accommodating the base increase of \$0.175 million in 2010. In the interim, it is recommended that, going forward, the application of the job evaluation component of the OMERS savings be reviewed on a yearly basis to ascertain the need for this funding source.

**b) Animal Transaction Reserve Fund**

The Animal Transaction Reserve Fund was created to accumulate all transactions relating to animal trading activity. The purpose of this Reserve Fund is to finance any net cost of the Zoo’s animal trading activity. Details of the trend in the Animal Transaction Reserve Fund balance from 1999 and 2004 are presented in Exhibit 3. The downward trend is attributable to significant reductions in revenue from animal transactions, versus the outflow of funds necessary to bring new animals into the collection. Based on the activity outlined in the chart, it is anticipated that the fund balance will be fully depleted by the end of 2005. This transfer to the Reserve Fund will provide sufficient funds for animal acquisitions for a number of years without depleting operating funds.



**c) Zoo Stabilization Reserve Fund**

The Zoo Stabilization Reserve Fund was established by the City for the purpose of offsetting revenue shortfalls from operating budget variances, investing in revenue generating activities, and preparing for special events in advance of the budget year. The objective of this Reserve Fund is to reduce the Zoo's reliance on the City's tax levy. The proposed allocation to the Zoo Stabilization Reserve Fund will facilitate development of strategies and events to maintain and/or increase attendance in the years prior to the opening of the Tundra Exhibit in 2008, as well as provide funding for unbudgeted shortfalls. With the addition of \$0.136 million in OMERS funding, the Reserve Fund will have a balance of \$0.325 million upon Council’s approval of the 2006 Operating Budget.

**Appendix B**

**Summary of Council Priority Services and New Service Requests**