

Analyst Briefing Notes

Budget Committee

(February 10, 2009)

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Executive Summary

- The Toronto Zoo is Canada's premier zoo, known for its interactive education and conservation activities. In line with its vision, the Zoo endeavors to offer a unique wildlife experience to all visitors to inspire them to live in ways that promote the well being of the natural world.
- The Toronto Zoo strives for a balance of activities that protect and nurture the animal collection with activities that offer animal exhibitory and other special events broadening the Zoo experience to grow attendance and related funding sources. The Toronto Zoo faces several challenges over the next three years:
 - Internal service challenges include improving customer services, improving the productivity of support services and managing closure of exhibits for construction.
 - External service challenges include successfully initiating two fundraising strategies, a Corporate Sponsorship strategy to help fund future operating requirements and a Major Fundraising Campaign to help fund the 10 Year Capital Plan and Forecast.
- The service objectives for the Toronto Zoo address the challenges outlined above, and reflect the period of change that will characterize the Toronto Zoo over the next three years. The Toronto Zoo will continue to increase customer services, increase self-sufficiency in critical technical and web services, strengthen their leadership role in animal education and research, continue to develop a "green plan" for the site, and implement fundraising strategies.
- The 2009 Recommended Operating Budget includes funding for priority actions which address the Zoo's challenges, opportunities and objectives:
 - **Improve Customer Services:** The Stingray and Shark Exhibit will enhance the visitor experience in 2009 and will result in \$0.548 million net revenue. Retail stores in the Zoo will under go a redesign and rebuild at a cost of \$0.300 million gross and \$0 net. Membership and visitor services will be enhanced through improving services at the front gates and improving waste pick up at a cost of \$0.217 million gross and \$0.073 million net revenue, including the addition of 10.5 seasonal (part time) positions. The funding for new web master (\$0.021 million) and technician (\$0.040 million) positions will assist the Zoo in enhancing web based e-business services. These five initiatives will improve customer services resulting in a net revenue gain of \$0.560 million. The 2009 Recommended Operating Budget provides funding for a cumulative 12.5 new permanent positions to improve customer services.
 - **Expand Research:** Nutrition and Reproductive Physiology Research assistants will expand the research capabilities of the Zoo. Recommended funding of \$0.064 million gross for 2 additional permanent research positions will be 100% funded from grants.

- **Revenue Growth:** The 2009 Recommended Operating Budget includes \$0.282 million gross, \$0.219 million net revenue to establish a Business Development Unit responsible for Corporate Sponsorships, generating \$0.500 million in sponsorships in 2009. A new non-permanent management position will be added to move this forward.
- For 2008, The Toronto Zoo is projecting a year-end net expenditure of \$11.127 million which is expected to be \$0.601 million or 5.1% below the Approved Operating Budget. This projected year-end favourable variance is attributed to savings in utility costs and careful control of expenditures to offset a revenue shortfall primarily due to a change in the attendance mix which has been addressed in the 2009 Recommended Budget.

Table 1: 2009 Recommended Budget

	2008		2009 Recomm'd Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Appvd. Budget		FY Incremental Outlook	
	2008 Appvd. Budget	2008 Projected Actual	2009 Base	2009 New/Enhanced	2009 Operating Budget			2010	2011
	\$	\$	\$	\$	\$	\$	%	\$	\$
(In \$000s)									
GROSS EXP.	41,262.1	40,351.9	41,780.6	1,447.4	43,228.0	1,965.9	4.8	235.0	240.0
REVENUE	29,534.0	29,225.4	29,335.4	2,225.5	31,560.9	2,026.9	6.9		0.0
NET EXP.	11,728.1	11,126.5	12,445.2	(778.1)	11,667.1	(61.0)	(0.5)	235.0	240.0
Approved Positions	359.3	359.3	359.3	15.5	374.8	15.5	4.3	0.0	0.0
TARGET*			11,728.1		11,728.1				
\$ Over / (Under) Program Target			717.1		(61.0)				
% Over / (Under) Program Target			6.1%		(0.5%)				

- The 2009 Recommended Operating Budget for the Toronto Zoo of \$11.667 million net, is \$0.061 million or 0.5% below the 2009 target established for 2009 at a 0% increase over the 2008 Approved Operating Budget, since 2009 COLA increases are known.
- The 2009 Recommended Operating Budget for Toronto Zoo is comprised of base funding of \$41.781 million gross, \$12.445 million net and is \$0.717 million or 6.1% over the target. This increase is fully offset by a cumulative \$0.778 net revenue increase to be generated by 2009 recommended new/enhanced service priority actions, bringing the 2009 Recommended Operating Budget to 0.5% less than the 2008 Approved Budget.
- New/Enhanced service priority funding of \$1.447 million gross, \$0.778 million net revenue is recommended. Approval of the 2009 Recommended Operating Budget will result in the Program's staff complement increasing by 15.5 positions to 374.8 approved positions.
- The 2010 Outlook includes reversal of the one-time retail rebuild expenditure of \$0.180 million, \$0.175 million annualized 2009 COLA cost for Collective Agreements which expire at the end of March 2010 and \$0.240 million for merit and step increases.

- The 2011 Outlook includes \$0.240 million for ongoing step and merit increases and does not include a provision for COLA and any other economic increases which are subject to future negotiations.
- The 2009 Recommended Base Budget will fund Toronto Zoo's key cost drivers including Cost of Living Allowance (COLA) for collective agreements in place for 2009 and other non-discretionary expenditures that total \$1.500 million. These are partially defrayed by an increase in admission fees and other revenue increases of \$0.502 million and efficiencies of \$0.234 million.
- The 2009 Recommended Operating Budget provides \$11.667 million in base and new funding for a broad range of priority actions for services that advance the economic contribution by the Toronto Zoo to the prosperity agenda. These include:
 - The enhanced Stringray and Shark attraction will help to stabilize attendance at 1,265,000 visitors and increase net revenue by \$0.548 million in 2009.
 - Continued improvement in customer services will increase customer satisfaction. Improved web services and enhanced application of technology will improve the speed of processing admissions and memberships and improve the automated presentations at exhibits. The addition of 12.5 customer service positions will improve customer satisfaction throughout the Zoo site.
 - The Zoo will continue to meet their accreditation by the American Zoo and Aquarium Association (AZA) and Canadian Council of Animal Care (CCAC). Two additional project-funded research staff will strengthen the Zoo's leadership in the development of nutrition for captive animals and continue the Zoo's recognition for leadership in animal reproductive services.
 - Retail facilities will be re-designed and rebuilt at a one-time cost of \$0.180 million and \$0.120 million for cost of goods sold related to increased sales, (total increase is \$0.300 million) providing guests with improved retail opportunities and improving sales revenue by \$0.300 million in 2009 and an additional \$0.180 million in 2010.
 - The Toronto Zoo will establish a Business Development Unit, including a new self supporting non-permanent position for Manager of Business Development responsible for improving and growing revenues from Corporate Sponsorship.
 - The Zoo will continue to develop their "Green Plan" in support of the Climate Change priority, outlining infrastructure and program initiatives to further the "greening" of the Zoo site.
 - Continue to provide the Zoo experience to 1,265,000 visitors, 7 days a week all year, protect and nurture over 5,000 animals representing over 460 species, and maintain facilities and equipment for the 287 hectares (710 acre) site.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Operating Budget for the Toronto Zoo of \$43.228 million gross and \$11.667 million net, comprised of the following services:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Conservation, Education & Research	5,810.0	4,102.8
Marketing & Communications	12,028.8	33.0
Operations & Administration	23324.9	23,108.4
General Management, Interpretation, Culture & Design	1,928.3	1,923.8
Animal & Endangered Species	136.0	0.0
Revenue & Recoveries		(17,500.9)
 Total Program Budget	 <u>43,228.0</u>	 <u>11,667.1</u>

2. The Chief Executive Officer of the Toronto Zoo report to Budget Committee by June 2009, on the Fundraising Campaign strategy, including the timetable and impact on both the Capital and Operating Budgets.

The Toronto Zoo's 2009 Operating Budget is guided, in part, by its ten-year 2001 Strategic Plan that aims to position the Zoo as a leader in conservation, a center for education and research, and a respected community institution. In line with its vision, the Zoo endeavors to offer exciting experiences that inspire 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.

The Toronto Zoo is in the preliminary stage of developing a program map. The Toronto Zoo provides four key services - Conservation Education & Research, Operations & Administration, Marketing & Communications, and Interpretation Culture & Design, as detailed in the following Program Map. The Toronto Zoo is participating in the City guided mapping process with the objective of refining the program map and definitions of its services during 2009.

Program Map



Service Challenges and Opportunities

The Toronto Zoo faces challenges in two areas, 1) to maintain its status as the premier Zoo in Canada and 2) to continue to be one of the premier attractions in the Greater Toronto Area. To meet the challenge, the Toronto Zoo strives for a balance between regulatory activities that protect and nurture the animal collection and attraction activities which offer animal exhibitory/special events that broaden the Zoo experience, grows attendance and expands the funding base. Community involvement and public pride in the zoo is a priority including building a higher profile in wildlife education, conservation and research.

- Internal service challenges include improving customer services, improving the productivity of support services and managing closure of exhibits for construction:
 - Maintaining its status as one of the leading attractions in the GTA is dependent on customer services achieving high levels of visitor satisfaction with the overall Zoo experience. Customer services have an impact on revenues related to attendance, membership, retail & food sales and special exhibits.

- Maintaining and developing competitive exhibits will result in periods of unprecedented capital construction. The closure of areas and exhibits for a short term will have an impact on customer satisfaction and attendance.
- The increasing use of technology including the internet requires the Zoo to become more self sufficient and reduce dependency on the purchasing of external technical and webs services.
- External service challenges include successfully initiating two fund raising strategies:
 - Corporate Sponsorship strategy to help fund future operating requirements.
 - Major Fund Raising Campaign to help fund the 10 Year Capital Plan and Forecast.

Service Objectives

The Zoo has five service objectives which will guide its future progress:

- Strengthen revenue and funding base by increasing customer satisfaction. Attendance will remain stable at 1,265,000 visitors by promoting the enhanced Stringray and Shark exhibit. Revenues are planned to increase by \$1.526 million in 2009 through a combination of admission price increases, improvements in retail and food services and revenues from other outside sources. Customer satisfaction must remain high to support this.
- Become more self-sufficient in the services required to deliver the Zoo's unique web, e-business and automated exhibits requirements.
- Provide conservation, education and research to maintain its status as one of the premier Zoos in North America. The Zoo will continue to meet their accreditation by the American Zoo and Aquarium Association (AZA) and Canadian Council of Animal Care (CCAC). In 2009 the Toronto Zoo will strengthen their leadership in the development of the nutrition program and growth in animal reproductive services to be self-funding through grants and related revenue.
- The Toronto Zoo will demonstrate environmental leadership. The Zoo will continue to develop the "Green Plan" for the site, outlining infrastructure and program initiatives to further the "greening" of the facilities, equipment, and site services for the 287 hectares (710 acre) site
- Implement fund raising strategies. The Toronto Zoo is undertaking 2 new initiatives to raise future funds for Operating and Capital priorities:
 - The Toronto Zoo is initiating a Corporate Sponsorship fund raising strategy to develop revenue opportunities to help fund operating initiatives at the Zoo.
 - In 2009, the Toronto Zoo is planning to replace the dissolved Zoo Foundation with a new organization to implement the major capital fund raising campaign announced in 2008. The campaign goal is to raise approximately \$250 million, over the next 10 years, for capital projects.

Priority Actions

The 2009 Recommended Operating Budget provides \$11.667 million in base and new funding for services and activities that advance Toronto Zoo's economic contribution to the Agenda for Prosperity.

Strengthen Revenue and Funding Base:

➤ Stingray and Shark Exhibit

In 2009, the Toronto Zoo will host the Stringray and Shark special exhibit for the summer Season. This exhibit is a natural evolution of the successful Stingray Bay Touch Tank featured in 2008. The Stingray and Shark exhibit will be ticketed separately from gate admission and is estimated to produce additional net revenue of \$0.548 million.

➤ Business Development Unit

The Toronto Zoo will establish a Business Development Unit responsible for improving and growing revenues from Corporate Sponsorship. For 2009 the unit will cost \$0.281 million and is projected to generate \$0.500 million in additional revenue for net revenue of \$0.219 million.

Improved Customer services:

➤ Improved Membership and Visitors experience

Services will be added to process the increased number of memberships and admissions, to help minimize the long line-ups at the front entrance and to maintain the level of cleanliness and safety of the Zoo site during the peak summer season. Funding of \$0.217 million gross and a net revenue gain of \$0.073 million is recommended.

➤ Retail Store Rebuild

The two main stores located at the Zoo's entrance will be re-designed and rebuilt to provide guests with a retail experience similar to the retail shops in Disney. Funding of \$0.300 million gross and \$0 net is recommended. Increased revenues during 2009 will offset the costs of the renovations and will result in \$0.180 million net revenue gain in 2010.

➤ Improved Web and Technical services

Services will be added to bring resources in-house to manage the expanding web/ e-commerce services and the extensive and quickly growing technological needs of the Zoo. Two positions are recommended for a cost of \$0.061 million in 2009. Future savings due to reduced purchase of service costs and future revenues generated from improved e-commerce are projected to more than pay for these two positions in 2010 and future years.

Expansion of Education and Research:

- Support Nutrition and Reproductive Physiology research

Expanding the research staff will strengthen the Zoo's leadership in nutrition and reproductive services. Funding the additional nutritional assistant and reproductive physiology assistant of \$0.64 million \$0 net is recommended.

Table 2: 2008 Budget Variance Review

(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	40,225.5	41,262.1	40,351.9	(910.2)	(2.2)
REVENUES	29,993.5	29,534.0	29,225.4	(308.6)	(1.0)
NET EXP.	10,232.0	11,728.1	11,126.5	(601.6)	(5.1)
Approved Positions	354.0	359.3	359.3	0.0	0.0

2008 Experience

As of September 30th, 2008 the Toronto Zoo is projecting a favourable year-end gross expenditure variance of \$0.910 million, and a favourable net expenditure variance of \$0.602 million. The \$0.910 million favourable gross expenditure variance is mainly attributed to reduced natural gas costs and careful control of expenditures that are related to revenue. The unfavourable revenue shortfall of \$0.309 million is the result reduced attendance due to poor weather over the first six months of the year and a change in the mix of visitors.

Impact of 2008 Operating Variance on 2009 Recommended Budget

The Zoo has made adjustments to the 2009 revenue forecast to take the change in the mix of visitors experienced in 2008 and prior years into account. These adjustments reflect an increase in visits by families with children under 4 years old.

The Toronto Zoo will continue to monitor revenues in 2009 and make careful adjustments to the variable costs related to revenue (cost of sales).

Table 3: 2009 Recommended Base Budget

(In \$000s)	2008 Appvd. Budget	2009 Recommended Base	Change		FY Incremental Outlook	
			2009 Recommended Base v. 2008 Appvd. Budget		2010	2011
	\$	\$	\$	%	\$	\$
GROSS EXP.	41,262.1	41,780.6	518.5	1.3	415.0	240.0
REVENUE	29,534.0	29,335.4	(198.6)	(0.7)	0.0	0.0
NET EXP.	11,728.1	12,445.2	717.1	6.1	415.0	240.0
Approved Positions	359.3	359.3	0.0	0.0	0.0	0.0
NET TARGET *		11,728.1				
\$ Over / (Under) Program Target		717.1				
% Over / (Under) Program Target		6.1%				

2009 Recommended Base Budget

- The 2009 Recommended Base Budget expenditures of \$41.781 million (gross), reflect an increase of \$0.519 million or 1.3% compared to the 2008 Approved Operating Budget of \$41.262 million gross. The increase in gross expenditures includes annualized impact of additional positions approved in 2008, COLA, merit/step, and fringe benefit cost increases, and reversal of the 2008 Stingray Exhibit. The costs are partially offset by continued efficiencies.
- The 2009 Recommended Base Budget revenues of \$29.335 million are \$0.199 million or 0.7% lower than the 2008 Approved Operating Budget. The decrease reflects the exclusion of the 2008 Stingray Exhibit and is partially offset by increased admission pricing, increased food service revenue and increased funding from Provincial Grants.
- The 2009 Recommended Base Budget for the Toronto Zoo is \$12.445 million net and is \$0.717 million or 6.1% higher than the 2009 target of \$11.728 million, established at 0% increase for the Toronto Zoo, given that COLA is known and included. This base budget increase is offset by the \$0.778 net revenue increase that is generated by the Service Priority Actions included in the 2009 Recommended New/Enhanced Budget (see page 12).
- Included in the 2009 Recommended Base Budget are 359.3 positions, equal to the Program's 2008 approved staffing complement.

2009 Key Cost Drivers and Reduction Strategies

The 2009 Recommended Base Budget provides funding for the following key cost drivers:

- Increases to salaries & benefits of \$1.001 million net, including merit, step, annualizations of positions approved in 2008, annualizations of 2008 COLA, 2009 COLA and fringe benefits according to Collective Agreements which expire in March 2010.
- Reversal of the Stingray Exhibit of \$0.492 million net which is more than offset by the net revenue increase of \$0.548 million in the 2009 Recommended Enhanced Budget for the Stingray and Shark Exhibit.

Revenue Changes :

- The Zoo's food revenues, retail revenues and admission revenues are primarily driven by attendance. The 2009 Recommended Base Budget revenue of \$29.328 million is the result of:
 - \$1 increase in adult, senior, and children aged 4-14 admission fees resulting in revenue gain of \$0.219 million in 2009;
 - Revenue from increased food sales of \$0.775 million; and
 - Increased revenue of \$0.238 million from Provincial Grants to develop an environmental tracking system and research carbon offsets at the Zoo.
- Revenue projections are based on maintaining the 2008 attendance target of 1,265,000. Attendance fluctuates with weather conditions and may be impacted by the economic downturn forecasted for 2009. The Toronto Zoo will continue to monitor achieved revenues and make the required expenditure adjustments to maintain the 2009 Approved Budget.

Service Efficiencies:

- The 2009 Recommended Base Budget includes \$0.234 million in savings from service efficiencies. The Toronto Zoo will negotiate with suppliers and carefully manage purchasing to secure cost reductions in purchased services.

2010 and 2011 Outlook: Net Incremental Impact

The 2010 and 2011 Outlooks maintain the 2009 level of service. The 2010 Outlook net incremental impact of \$0.175 million reflects increases in staffing costs for annualized COLA for Collective Agreements which expire in March 2010 and \$0.240 for merit and step increases. The 2011 Outlook includes \$0.240 million for merit and step increases.

The Zoo will decide on implementing future special attractions based on the success of the Sting Ray and Shark Exhibit in 2009. Alternative special attractions may be required in 2010 to offset the potential reduction in revenue if the Sting Ray and Shark Exhibit were to be discontinued.

Table 4

2009 New / Enhanced Service Priority Actions: Summary
(In \$000s)

Description	2009 Recommended		Rec. New Positions	Net Incremental	
	Gross Exp.	Net Exp.		2010	2011
	\$	\$	#	\$	\$
Enhanced Services:					
(a) Enhanced Services - Council Approved					
(b) Enhanced Services - Program Initiated					
Stingray and Shark Exhibit	524.0	(548.1)			
Improved Customer Services	217.0	(72.5)	10.5		
Retail Store Improvements	300.0	0.0		(180.0)	
Zoo Webmaster	21.2	21.2	1.0		
Technical Services Technician	39.8	39.8	1.0		
Nutritional Research Assistant	6.7	0.0	1.0		
Reproductive Physiology Research Assistant	57.2	0.0	1.0		
Business Development (Sponsorship)	281.5	(218.5)	1.0		
Sub-Total Enhanced Services	1,447.4	(778.1)	15.5	(180.0)	0.0
New Services:					
(a) New Services - Council Approved					
(b) New Services - Program Initiated					
Sub-Total New Services	0.0	0.0	0.0	0.0	0.0
Total New/Enhanced Services	1,447.4	(778.1)	15.5	(180.0)	0.0

2009 Recommended New / Enhanced Service Priority Actions

Enhanced Service Priority Actions – Program Initiated

Stingray and Shark Exhibit

The 2009 Recommended Operating Budget provides funds to feature “the Stingray and Sharks Exhibit” as year two of the successful Stingray Bay Touch Tank Exhibit featured in 2008. The exhibit will utilize the pool and equipment infrastructure built in 2008 for the stingray touch tank. This exhibit is unique to the Canadian market and coupled with the Great Barrier Reef exhibit (opened in 2008) and the re-opening of the Polar Bear exhibit in the fall of 2009, will ensure that the Zoo continues to provide compelling reasons for families to visit the Zoo and extend their stay. Sponsorship and cross-promotions are planned to increase awareness which will result in increased Zoo attendance.

The 2009 Recommended Operating Budget provides \$0.524 million resulting in net revenue of \$0.548 million. A separate \$3 admission for this exhibit will result in \$1.072 million revenue from ticket sales. The continuation of this special feature will be evaluated for 2010.

Improved Customer Services

Admission and membership services will be improved in 2009 by reducing line ups, and improving visitor appeal of the site by improving materials collection and cleaning and securing washrooms. Attendance has increased by over 150,000 over the last five years creating long line ups at the front gate and generating more garbage and litter, at peak times. In 2005, five additional admission booths were added at the front entrance but there has been no increase in staffing complement to serve the booths.

The 2009 Recommended Operating Budget provides \$0.217 million gross, \$0.073 million net revenue for 10.5 additional seasonal part-time positions. These seasonal part-time positions will be required for the peak season, May to July, and thus there is no incremental annualized cost in 2010.

Retail Store Improvements

The 2009 Recommended Operating Budget provides funds to re-design and rebuild retail stores, focused on providing guests with an experience similar to the retail shops set up in Disney or Great Wolf Lodges. Retail stores at the Zoo are old and their design is outdated, requiring re-branding and rebuilding to stimulate sales. The main retail store has been operating in the Education Building since 1986 with only minor repairs and changes.

The 2009 Recommended Operating Budget provides funding of \$0.300 million gross, \$0 net to redesign and rebuild retail stores. The \$0.300 million gross consists of one-time funding of \$0.180 million to cover the cost of redesign and renovation and \$0.120 million in additional Cost of Goods Sold related to the incremental revenue of \$0.300 million. The \$0.180 million additional net revenue projected for 2010 will result from the reversal of the one-time funding included in the 2009 Recommended Operating Budget.

Zoo Webmaster

The 2009 Recommended Operating Budget provides funds to bring web services in house and maximize the use of new online channels to build attendance, revenues and develop an internet audience. The cost of purchasing web services externally has escalated over the last five years and the Zoo is falling behind in developing their web-site to include enhanced marketing, promotion and e-business. The new dynamic website will include interactive banners, multi media channels such as "YOUTUBE" and e-commerce applications for camp registrations, on-line retail, event ticketing and admissions.

The 2009 Recommended Operating Budget provides \$0.021 million gross and net for a permanent position, effective in June, 2009. In 2010, the annualized cost of \$0.021 million will be offset by increased revenues generated by the web site

Technical Services Support

The 2009 Recommended Operating Budget provides funds to bring technical support in house to maintain point of sale systems, telecom systems, and help integrate the various technologies across the Zoo (video cameras, web cameras, wireless kiosks, and system support for automated exhibits). Technical support costs continue to grow throughout the Zoo as exhibits continue to be more automated. This critical level of expertise is required to reduce downtime and minimize the impact on customer satisfaction.

The 2009 Recommended Operating Budget provides \$0.040 million gross and net for a permanent position, effective in June, 2009. In 2010, the annualized cost of \$0.040 million will be offset by increased revenues and decreased purchased services costs.

Nutrition and Reproductive Physiology Research Assistants

The 2009 Recommended Operating Budget provides funds to strengthen its position as market leader in animal diet formulation, increase value in scientific and conservation research and generate revenue for research. The Zoo is developing opportunities for new graduates to gain hands on experience in zoo animal nutrition and animal reproduction physiology at the Zoo.

The 2009 Recommended Operating Budget provides \$0.064 million gross, \$0 net for 2 additional permanent positions. The two positions are funded from grants and will only proceed if the funding is secured from the affiliated University (Guelph).

Business Development Unit

The 2009 Recommended Operating Budget provides funds to establish a new The “Business Development Unit” to grow revenues through Corporate Sponsorships helping to fund operating priorities for 2009 and future years. The Zoo will blend their positive image, brand characteristics and marketing strengths into a corporate sponsorship strategy. This unit will focus on preparation of proposals, sponsorship solicitation, opportunity identification/evaluation and relationship building.

Future funding for New/Enhanced Services at the Toronto Zoo will require new operating budget funding sources to proceed with their 3 year operating plan to improve customer services, enhance education and conservation programs, and develop new exhibits and attractions.

The 2009 Recommended Operating Budget provides \$0.282 million gross and one additional position, resulting in \$0.219 million net revenue. This will be a contract position in 2009 and performance will be evaluated before it is made permanent.

The Business Development Unit does not replace the dissolved Zoo Foundation as the Foundation was responsible for raising Capital Funds and the Business Development Unit’s primary responsibility is providing support to the Operating Budget.

2009 Budget Issues

2009 Recommended Operating Budget vs. Guideline

The 2009 Recommended Base Budget for Toronto Zoo of \$41.781 million gross, \$12.445 million net is \$0.717 million or 6.1% over the target, established for 2009 at a 0% increase over the 2008 Approved Operating Budget, since COLA increases are known and included in the budget. This increase is fully offset by a cumulative \$0.778 net revenue increase to be generated by 2009. Recommended New/Enhanced Services bring the 2009 Recommended Operating Budget to 0.5% less than the 2008 Approved Budget.

The 2009 Recommended Base Budget includes \$0.765 million for a 2009 COLA of 3% based on the Zoo's Collective Agreements.

To offset the significant increase in costs over the 2008 Operating Budget and to achieve the 2009 target, various reduction options are being recommended:

- **Absorbing Inflationary Increases:** The Toronto Zoo is absorbing all of its non-salary inflationary factors totaling \$0.385 million. Of this amount, \$0.027 million is attributed to Program purchase of gas and diesel fuel. This reduced fuel cost is based on a revised per litre cost of \$1.01. The original estimate for fuel costs of \$1.45 per litre was based on the corporate economic factor established in the late summer. Other inflationary increases based on factors established at the same time will be reduced by \$0.358 million. Toronto Zoo will carefully manage discretionary expenditures to minimize the impact of price inflation.
- **Efficiencies:** The Zoo will reduce purchase of services by \$0.234 million by monitoring their external purchase of service such as technical support and carefully controlling expenditures to achieve the reduction target.
- **Base Revenue Increases:** The 2009 Recommended Operating Budget includes a net \$0.199 million Base Budget Revenue reduction:
 - \$1 admission fee increase resulting in \$0.219 million revenue gain
 - Increased revenue from Provincial Grants for research work of \$0.238 million
 - Increased revenue from growth in food services of \$0.774 million
 - Decreased revenue from the 2008 Stingray Exhibit of (\$1.423 million)
- **The 2009 Recommended New/Enhanced Budget includes funding for priority actions of \$1.447 million gross that result in cumulative net revenue of \$0.778 million:**
 - Stingray and Sharks Exhibit will result in \$0.548 million net revenue gain

- Improved customer and membership service will increase net revenue by \$0.073 million
 - Business Development Unit will contribute net revenue of \$0.219 million
 - Two additional support positions (web-master and technical services) will increase net expenditure by \$0.061 million
- When taken together, the 2009 Recommended Operating Budget of \$11.667 million net is \$0.061 million or 0.5% below the 2009 target of \$11.728 million.

The Toronto Zoo will continue to carefully monitor revenues and make the required adjustments to expenditures to keep the Zoo's results in line with the 2009 Recommended Operating Budget of \$11.667 million net.

Fundraising Strategies

Replacement of Dissolved Toronto Zoo Foundation

The operations of the Toronto Zoo Foundation are expected to be wound up early in 2009. The Toronto Zoo will develop an implementation plan to replace the dissolved Zoo Foundation to deliver and support its recently announced capital fund raising campaign. The Toronto Zoo is exploring a trust structure to manage the assets to ensure that donor intent is protected. The estimated 2009 operating cost of \$1.5 million is based on Zoo Foundation costs and is not included in the 2009 Recommended Operating Budget. Estimated cost includes administrative and support costs required for the first year of the capital campaign. The Chief Executive Officer of the Toronto Zoo will report to Budget Committee by May 2009, on the Fundraising Campaign strategy, including the timetable and impact on the 10-Year Capital Plan and Forecast. .

Business Development Unit

The 2009 Recommended Operating Budget provides funds to establish a new The "Business Development Unit" to grow revenues through Corporate Sponsorships helping to fund operating priorities for 2009 and future years. The "Business Development Unit" will enhance the service previously provided by the Toronto Zoo's Marketing Section. The 2009 Recommended Budget provides \$0.282 million gross and one additional position, resulting in \$0.219 million net revenue. The position will be a contract position in 2009 and performance will be evaluated before it is made permanent.

The Business Development Unit does not replace the dissolved Zoo Foundation as the Foundation was responsible for raising Capital Funds and the Business Development Unit's primary responsibility is providing support to the Operating Budget.

Appendix A

2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2010	2011
		\$	\$	\$	\$	\$
2008 Council Approved Operating Budget	359.3	41,240.1	29,534.0	11,706.1	0.0	0.0
In-year approvals and technical adjustments		22.0	0.0	22.0		
Corporate adjustments						
2008 Approved Operating Budget	359.3	41,262.1	29,534.0	11,728.1	0.0	0.0
Prior year impacts		243.6		243.6		
Reversal Sting Ray Exhibit		(931.5)	(1,423.1)	491.6		
Economic factors (COLA merit/step)		764.8		764.8	415.0	240.0
Adjusted Base Budget	359.3	41,339.0	28,110.9	13,228.1	415.0	240.0
Other base changes		(54.8)	(7.0)	(47.8)		
Base revenue changes for price incr. and growth		729.9	1,231.5	(501.6)		
Recommended Service Level Adjustments:						
Base changes						
Service efficiencies		(233.5)		(233.5)		
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	441.6	1,224.5	(782.9)	0.0	0.0
2009 Recommended Base Budget	359.3	41,780.6	29,335.4	12,445.2	415.0	240.0
2009 Program Operating Target				11,728.1		
% Over (Under) Program Target				6.1%		
% Over (Under) 2008 Appvd. Budget				6.1%		

Appendix B

Summary of Service Level Adjustments

Appendix C

**Summary of 2009 Recommended New/Enhanced
Service Priority Actions**

Appendix D
Program Summary by Expenditure Category

CLUSTER: ABC PROGRAM: Toronto Zoo							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Budget	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	22,500.4	22,543.00	23,968.8	1,468.4	6.5%	24,558.8	24,798.8
Materials and Supplies	7,685.1	7,210.00	7,635.1	(50.0)	(0.7%)	7,635.1	7,635.1
Equipment	433.3	433.30	537.4	104.1	24.0%	537.4	537.4
Services & Rents	9,909.3	9,431.60	10,352.6	443.3	4.5%	10,172.6	10,172.6
Contributions to Capital							
Contributions to Reserve/Res Funds	734.0	734.00	734.0		0.0%	734.0	734.0
Other Expenditures							
Interdivisional Charges							
TOTAL GROSS EXPENDITURES	41,262.1	40,351.9	43,228.0	1,965.9	4.8%	43,638.0	43,878.0
Interdivisional Recoveries							
Provincial Subsidies	586.6	586.6		(586.6)	(100.0%)		
Federal Subsidies			888.7	888.7	n/a	888.7	888.7
Other Subsidies							
User Fees & Donations	28,598.0	28,289.4	29,522.8	924.8	3.2%	29,522.8	29,522.8
Transfers from Capital Fund							
Contribution from Reserve Funds	136.0	136.0	136.0		0.0%	136.0	136.0
Contribution from Reserve							
Sundry Revenues	213.4	213.4	1,013.4	800.0	374.8%	1,013.4	1,013.4
TOTAL REVENUE	29,534.0	29,225.4	31,560.9	2,026.9	6.9%	31,560.9	31,560.9
TOTAL NET EXPENDITURES	11,728.1	11,126.5	11,667.1	(61.0)	(0.5%)	12,077.1	12,317.1
APPROVED POSITIONS	359.3	359.3	374.8	15.5	4.3%		

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Balance as of	Proposed Withdrawals (-) / Contributions (+)		
		December	2009	2010	2011
		2008			
		\$	\$	\$	\$
Vehicle and Equipment Replacement	XQ1703	286.9	333.0		
Sick Pay Reserve	XR1007	48,354.7	86.3		
Sick Pay Reserve			(86.3)		
Insurance	XR1010	28,050.4	178.7		
Endangered Species Reserve	XQ3006	761.5	100.0		
Endangered Species Reserve			(100.0)		
Animal Transaction	XR1029	406.3	36.0		
Animal Transaction			(36.0)		
Total Reserve / Reserve Fund Draws / Contributions			511.7	0.0	0.0