



STAFF REPORT ACTION REQUIRED

Response to Zoo Board Governance Report

Date:	September 10, 2013
To:	Executive Committee
From:	City Manager
Wards:	All
Reference Number:	

SUMMARY

In October 2012, City Council requested the City Manager to cancel a Request for Expressions of Interest for Toronto Zoo operations, maintaining the Toronto Zoo as a City Board and agency. City Council also requested the City Manager to review an unsolicited proposal from the Zoo Board of Management, titled "the Future of Zoo Governance" taking into account the City's financial position and the Core Service Review. The following report is the City staff response to the Zoo Board proposal.

City Board and agency or separate non-profit corporation

The Zoo Board's proposal (the Proposal) (Attachment 1) recommends the Toronto Zoo separate from the City by reorganizing into a private non-profit corporation to operate and manage the Toronto Zoo through a management agreement with the City.

The Proposal identifies potential benefits of a privately managed Zoo. A Best Case financial model projects that a City operating subsidy would not be required by 2018, and a Base Case model projects a reduction in the City's operating subsidy to \$170 thousand by 2022. It must be noted that these projections rely on an assumption that the Zoo can generate significant additional revenues. City staff note that if these additional revenues are not realized it would present a considerable risk to the projected financial model. Under the Proposal, the City would retain ownership of all facilities and contribute \$6 million annually on an ongoing basis while ownership of the animals would be transferred to the Zoo.

The Proposal also recommends the creation of a new board structure of up to thirty members to engage in governance activities, with expanded emphasis on fundraising, sponsorship,

partnerships and public outreach. The new board would include a minimum of three members of City Council and one City staff ex-officio position.

City staff have reviewed the Proposal and have identified a number of potential risks to the City. Although the City's subsidy may be reduced, staff note that there is no assurance of financial sustainability for the Zoo within a ten year timeframe. Zoo and City staff analysis indicates that zoos restructured to become more independent of government control still require municipal and other government funding. Other potential risks include the Zoo's ability to maintain City assets, the ability to secure commercial financing, and the protection of City interests in investment policies and activities. In addition, the City would remain the owner of the Zoo's assets and provide an ongoing capital subsidy. In staff's view, the potential risks of a privately managed zoo, with considerable ongoing financial liability to the City, outweigh the potential financial benefits.

Further, staff advise that the proposed governance structure does not adequately reflect the degree of participation and access for members of City Council necessary to oversee the significant public funds provided to the Toronto Zoo by the City of Toronto.

As a result, this report recommends that the Toronto Zoo be retained as a City Board and agency as it is unlikely the Toronto Zoo will become financially independent of the City. Moreover, given that the City will be providing an ongoing and significant operating and capital subsidy to the Zoo, the proposed separation from the City without adequate City Council representation on a new board cannot be supported.

Partnership with other governments

This report discusses the Toronto Zoo within a regional context and recommends the Province of Ontario take a strong role in the future of the Zoo, and to consult with other GTA municipalities and learning and research institutions to inform the future vision of the Toronto Zoo. The importance of the Rouge National Urban Park is emphasized as a major opportunity and catalyst to increasing the Toronto Zoo's focus on wildlife and habitat conservation, environmental sustainability and outdoor recreation. This report requests that Parks Canada collaborate and enter into an agreement with the City of Toronto, the Toronto Zoo and the Toronto and Region Conservation Authority (TRCA) on potential shared programming and regional attraction planning within the future vision of the Rouge National Urban Park, and the Government of Canada to contribute funding towards shared capital infrastructure.

This report also recommends that the Tripartite Agreement with the TRCA, which is the licence for use of Zoo lands, be revised to support the ongoing and future needs of the Zoo.

2014 Zoo Strategic Plan, Facility Master Plan and new charitable foundation

The Proposal outlines many positive and innovative approaches including plans for increased revenue and attendance, improved stakeholder and community involvement, fundraising opportunities, and furthering conservation and environmental objectives. Staff advise that these initiatives can be advanced under the current City agency structure. This report recommends that the Toronto Zoo Board's Strategic Plan, which is scheduled for completion

in 2014, build on these approaches and detail future programs and capital requirements, including a Facility Master Plan. This report also recommends that the Zoo Board establish a separate and independent charitable foundation for fundraising, sponsorship, donation and partnership purposes in alignment with its Strategic Plan.

Zoo management and operations, and City-Zoo relationship framework

It is important to note that this report recommends that Council affirm that future decisions regarding the acquisition, disposition and overall management of the Zoo's animal and plant collection is the responsibility of the Toronto Zoo Board of Management.

Finally, the Proposal identifies a desire to broaden Zoo Board composition to include stakeholder groups and high profile citizens to improve community and stakeholder engagement. This report recommends that the City Manager review the existing City agency governance structure and prepare a Relationship Framework, in consultation with the Chief Executive Officer of the Toronto Zoo, for Council approval, incorporating the outcomes of discussions with the Province of Ontario, the Government of Canada, consultations with key stakeholders, and the 2014 Zoo Strategic Plan.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council retain the Toronto Zoo and the Zoo Board of Management as a City Board and agency pursuant to the *City of Toronto Act*;
2. City Council request that the Toronto Zoo Board of Management's forthcoming 2014 Strategic Plan include the following:
 - a) A Facility Master Plan;
 - b) Sources of capital and operating program funding including: fundraising, sponsorships and partnerships, with an emphasis on the promotion of wildlife and habitat conservation, environmental sustainability, and public education;
 - c) Strategies to improve on site visitor spending, and possible addition of new compatible activities or other measures which boost attendance and net revenues;
 - d) Possible joint programs and capital projects in partnership with Parks Canada within the implementation of the Rouge National Urban Park; and
 - e) Service efficiencies that reduce the need for government operating funding.
3. City Council request that the Province of Ontario take a strong role in the future of the Toronto Zoo given its function as a major regional attraction and its importance to the

regional economy as a major tourism, recreation, wildlife conservation and education venue, and that the City Manager, in consultation with the Chief Executive Officer of the Toronto Zoo, initiate discussions with the Province on these principles and to establish a funding partnership for Toronto Zoo programming and shared capital infrastructure;

4. City Council request Parks Canada to enter into an agreement with the Toronto Zoo, the City of Toronto, and the Toronto Region Conservation Authority for ongoing collaboration, joint programming and shared facility management related to the Rouge National Urban Park; and request the Government of Canada to provide funding for any new or shared joint capital infrastructure;
5. City Council request the Chief Executive Officer of the Toronto Zoo, in consultation with the City Manager, to engage stakeholders such as the University of Toronto, the University of Guelph, the Toronto and Region Conservation Authority and other GTA municipalities on their financial and program participation in the future of the Toronto Zoo;
6. City Council direct the City Manager, with appropriate City Officials and the Chief Executive Officer of the Toronto Zoo, to finalize the terms and report back to City Council on a revised Tripartite Agreement for the use of the zoo lands between the City, the Toronto Zoo Board and the Toronto and Region Conservation Authority;
7. City Council request the Toronto Zoo Board of Management, in consultation with the City Manager, to create a separate and independent charitable foundation for fundraising, sponsorship, donation and partnership purposes in alignment with its 2014 Strategic Plan;
8. City Council affirm that the Toronto Zoo Board of Management is solely responsible for any future decisions regarding the acquisition, disposition and overall management of the Zoo's animal and plant collection;
9. City Council request that the City Manager, in consultation with the Chief Executive Officer of the Toronto Zoo and Zoo Board of Management, review the board governance and develop a Relationship Framework between the City and the Toronto Zoo for Council approval, incorporating the outcomes of Recommendations 1 to 8 within this report.

Financial Impact

As a City agency, the Toronto Zoo receives both operating and capital allocations through the City's budget process. In 2013, the Toronto Zoo received \$11.11 million of tax supported operating support and \$6 million in debt funded capital support. The City is responsible to fund any operating deficits on the year and surpluses are returned to the City. The level of City Operating Budget support required annually is dependent on a number of factors such as attendance, new exhibit attractions, site visitor spending, admission pricing, and operating costs.

The Proposal uses a business plan prepared by the firm Schultz and Williams to test the Zoo's ability to become financially self-sufficient. The financial analysis projects a Base Case scenario and a Best Case scenario for future revenues and costs over ten years from 2014 to 2023 assuming

the new governance structure is implemented. Under the Proposal, the Zoo does not eliminate annual base operating deficits under either the Base Case or the Best Case scenario.

Base Operating Surplus or (Shortfall) (\$M)

Scenario	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Base Case	(12.54)	(13.16)	(13.62)	(11.95)	(7.95)	(9.54)	(8.72)	(7.59)	(6.93)	(7.06)
Best Case	(12.53)	(10.40)	(10.85)	(8.91)	(4.80)	(6.53)	(5.53)	(4.21)	(3.41)	(3.49)

Source: Toronto Zoo, Proposed New Governance Model, August 23, 2013 pg17-19

The Proposal requires ongoing operating funding from the City, indefinitely under the Base Case, and to a minimum of 2018 under the Best Case. The Toronto Zoo would also require ongoing capital funding support from the City of \$6 million annually, indexed for inflation.

To bolster projected self-generated revenues, the Proposal identifies considerable additional revenue opportunities from 2014 to 2023. The Base Case projects that the Zoo can generate \$6.1 million in additional revenue by 2023 and the Best Case projects an additional \$6.71 million in revenue by 2023. Staff note that it is difficult to assess the merit and accuracy of the identified additional revenue opportunities as they are not well described in the Proposal.

Even with additional revenues, the Proposal projects that the Zoo does not eliminate annual operating deficits under the Base Case scenario. However, under the Best Case scenario, the Zoo achieves an operating surplus by 2021, with additional revenue assumed.

Revised Operating with Additional Revenue Opportunities (\$M)

Scenario	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Base Case	(9.51)	(9.05)	(8.76)	(6.57)	(3.97)	(5.29)	(4.44)	(3.06)	(1.40)	(0.96)
Best Case	(9.51)	(5.88)	(5.50)	(3.00)	(0.42)	(1.84)	(0.83)	0.77	2.67	3.22

Source: Toronto Zoo, Proposed New Governance Model, August 23, 2013 pg17-19

To mitigate fluctuations in attendance and fundraising, the Proposal notes that the Zoo would create a reserve fund to supplement revenues. A portion of the City's annual operating funding to the Zoo would be used to create the reserve fund. The Base Case scenario projects a \$19.56 million reserve by 2023 and the Best Case would produce a \$23.56 million reserve by 2023.

Staff note that the proposed use of City operating funds to create a reserve fund is contrary to City policy. City operating subsidies to City agencies are typically used to offset any operating deficits on the year and surpluses are returned to the City. As a result, staff do not support the use of City operating funds to generate a reserve fund, as it would be a change in policy direction.

The Proposal contains other significant financial risks to the City as owner of Zoo assets. The TRCA would hold the City responsible to remediate and return the site to its standard for open space should Zoo operations cease. It is quite likely that the City will be called upon to assume credit risk should the Zoo require any borrowing or credit provision. With the City's ongoing site ownership, there are other risks that could arise from independent Zoo operating decisions over which the City would have little or no control.

Approval of the recommendations in this report would result in City financial support to remain at approximately the 2013 levels in early years, but anticipated reductions in City support can be expected as potential support and contributions from other partners can be included and strategic improvements can be implemented after the planning process proceeds.

As demonstrated in this report, the Toronto Zoo has a solid track record of reducing its reliance on City tax supported operating funding. It may be possible to further reduce the Zoo's reliance on City operating funding as a City agency, given the development of a new Strategic Plan, including a Facility Master Plan, and a separate fundraising foundation.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

As part of the Core Service Review in 2011, KPMG reviewed and analyzed all City services, activities and service levels. The KPMG study concluded that the Toronto Zoo was a non-core function to the City of Toronto and recommended consideration of divestiture of the Zoo.

At its September 26 and 27, 2011 meeting, City Council requested the City Manager issue a Request for Expressions of Interest for the Toronto Zoo " on terms satisfactory to the City Manager, to determine options for the sale, lease, operation or other arrangement in respect of the Toronto Zoo, provided that the City Manager shall work with the Toronto and Region Conservation Authority (TRCA), Provincial and Federal Governments to accommodate their interests: and direct that the Toronto Zoo Board of Management be included in any meetings regarding the future of the Zoo".

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX10.1> In accordance with the directive of City Council, City staff prepared a detailed Request for Expression of Interest (REOI) for the sale, lease, management or other arrangement for disposition of the Toronto Zoo. The REIO was issued in September 2012.

At its November 2011 meeting the Toronto Zoo Board of Management authorized the establishment of a Governance Task Force comprised of up to 5 board members to examine governance options for the Toronto Zoo.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.ZB9.2>

At a special meeting of the Toronto Zoo Board of Management on September 5, 2012 the Future of the Toronto Zoo Proposal as developed by the Governance Task Force with consultants was considered by the Zoo Board of Management. The Zoo Board endorsed the proposal to transform the Toronto Zoo to a private non-profit corporation (Toronto Zoological Society) having a management agreement with the City of Toronto.

<http://app.toronto.ca/tmmis/decisionBodyProfile.do?function=doPrepare&meetingId=65#Meeting-2012.ZB15>

At its October 2012 meeting City Council cancelled the REOI for the Toronto Zoo and requested that the City Manager report back on the Future of the Zoo proposal prepared for the Toronto Zoo Board of Management taking into account the City's financial position and the Core Service Review.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.MM26.28>

City Council has also considered its interests in establishment of the Rouge National Urban Park. At its meetings in May 2010 and September 2011, City Council adopted motions endorsing the creating of a national park in the Rouge Valley areas and recognizing the extraordinary ecological wealth found in the Rouge Valley.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.PE7.1#>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.MM49.27#>

At its meeting of May 2012 meeting City Council endorsed the Statement of Intent and committed to collaborate with the Government of Canada and other public landholders on the establishment of a national urban park in the Rouge Valley. City Council also authorized the Deputy City Manager, and appropriate City staff, to represent the City in the national urban park establishment process and report back on the results of the establishment process, including how City interests have been addressed.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX19.2>

ISSUE BACKGROUND

The Metropolitan Toronto Zoological society was established as a non-profit corporation without share capital on April 29, 1969. On October 17, 1969 the Council for Metropolitan Toronto approved a Master Plan for the long term development of the Toronto Zoo. The Toronto Zoo was then established on November 1st, 1970 through agreement between the Municipality of Metropolitan Toronto, the Metropolitan Toronto and Region Conservation Authority (MTRCA), and the Metropolitan Toronto Zoological Society. Under the 1970 agreement the MTRCA not only retained ownership of much of the Zoo lands, but also the right to control flood control related features, facilities and water courses.

The Toronto Zoo opened to the public on August 15, 1974. The Toronto Zoological Society operated the Zoo for approximately 3 years until it ran into financial difficulties. In 1977 an amendment to the Municipality of Metropolitan Toronto Act allowed a Board of Management for the Zoo to be established as a corporation without share capital to operate the Zoo on behalf of the Municipality of Metropolitan Toronto.

On April 28, 1978 an agreement was made between Metropolitan Toronto, the MTRCA, and the Board of Management for the Zoo granting the board permission to operate the Toronto Zoo. The Toronto Zoological Society was given new functions related to matters including public education and fundraising through the Toronto Zoo Foundation. In September 2008 the Toronto Zoo foundation was wound down with the fundraised assets transferred to the Toronto Community Foundation. The Toronto Zoo Board of Management now oversees fundraising activities.

With the passage of the City of Toronto Act in 2006 the Toronto Zoo Board of Management was continued as a City Board under the provisions of the new Act. The City of Toronto has specific authority to make broad governance-related changes to a City Board including dissolution of the board and changing its mandate and authority.

The special Giant Pandas exhibit, which will be open until 2018, is the current focal attraction at the Toronto Zoo.

The Rouge National Urban Park

In 2011, the Government of Canada announced its intention to create a new urban national park which would encompass the Rouge Park lands and other adjacent lands. The map in Attachment 3 shows the study area initially examined by Parks Canada. The initial study area would expand the size of the current Rouge Park by 20 percent making a national urban park that is 13 times larger than Stanley Park in Vancouver. In May 2012 the Government of Canada announced a funding commitment of \$147.5 million over a ten year period to implement the Rouge National Urban Park concept. In June 2013, the Government of Canada announced its intention to include additional lands to the west of the lands designated for the Pickering airport as part of the park. Parks Canada is working towards finalizing the land assembly agreement with the TRCA and municipal and regional landholders, including Toronto, and is focusing on the next steps in the establishment process, including the development of the first strategic management plan for Rouge National Urban Park.

The Toronto Zoo is located in the northeast corner of the City of Toronto along Meadowvale Road and bounded to the north by Old Finch Road East, north of Sheppard Avenue East. While it abuts the western boundary of the Rouge National Urban Park the Toronto Zoo is excluded from the proposed limits of the park. At 287 hectares (710 acres) the Toronto Zoo is one of the largest zoos in the world. The City owns 44.1 hectares (109 acres) of the Zoo lands and the balance is owned by the TRCA and licensed to the Toronto Zoo for their zoo purposes.

COMMENTS

Summary of the Zoo Board's Proposal

Governance Model

The Toronto Zoo Board of Management proposes to restructure the Zoo from a City agency to an independent privately owned not-profit corporation formed as a Zoological Society. The City's legal arrangement with the private corporation would be governed by a Council approved management agreement. The agreement would outline the terms and conditions for the Zoo to operate, manage, and invest City operating funds, capital funds, and other self generated funds in the Zoo over 20 years. A key rationale for the restructuring is to gain decision making independence from the City to permit a more entrepreneurial form of

management and to assert control over key aspects of Zoo management such as animal acquisition and disposition.

Under the Proposal, the City's role in the management of the Zoo would be limited to oversight of a management agreement with the Toronto Zoo and participation on the Board and certain board committees primarily related to financial oversight. The Toronto Zoo would cease to be a City agency, with the animal and plant collections owned by the Toronto Zoo, and zoo infrastructure (land, buildings, roads, water, sewers, and facilities) continuing to be owned by the City of Toronto. Over 600 acres of the zoo lands would continue to be owned by the TRCA. A revised Tripartite Agreement, which is essentially a land lease, would govern the use of the TRCA lands for Zoo purposes. The City would lease its 100 acres of land to the private zoo corporation.

The staff of the current Zoo would be offered employment in the new private corporation and the existing collective agreements would be honoured.

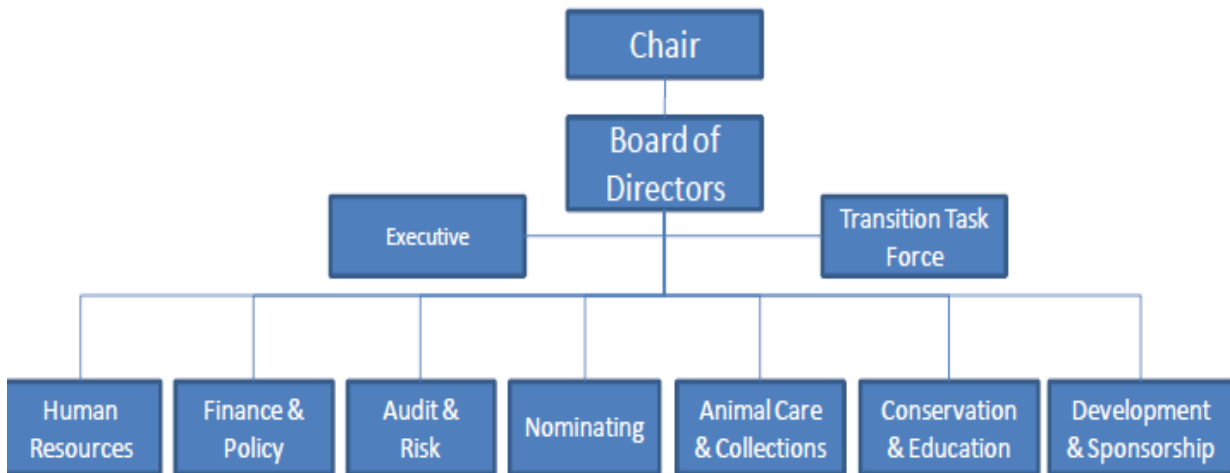
A new board and governance structure would be put in place. The board for the private corporation would be large – expanded from the current 12 member board to about 30 members and similar in size to some other major arts and cultural organizations. The Board's focus would be on developing fundraising, partnership and sponsorship capacity in addition to its day to day oversight of the Zoo. A committee structure, including an Executive Committee, would support the board's activities with significant final decision making delegated to the Executive Committee due to the large size of the board. The Zoo would conduct recruitment and appointments to the board through a Nominating Committee. The City's appointments to the Zoo Board be solicited by the Zoo Board and would be an external appointment similar to City Council appointments made to non-City agencies such as the Metro Toronto Convention Centre or the Great Toronto Airport Authority.

Chart 1 below indicates key elements of the proposed board structure including:

- an Executive Committee with final decision making responsibilities over many operational aspects of the Toronto Zoo;
- several Committees including Policy and Finance, Human Resources, Nominating, Animal Acquisition, and a Conservation and Education Committee; and
- a Transition Task Force to guide the implementation of the Corporation.

The number of City Councillor appointees to the Board would gradually be reduced over time should the Toronto Zoo become more financially self-sufficient with as little as one or two voting appointees on the Board if no operating funding is required from the City in the future. The Board would contain a City staff person as a non-voting ex-officio member to monitor board meetings.

Chart 1: Proposed Governance Structure



The Financial Model

The Toronto Zoo as a private not for profit corporation would continue to receive both capital and operating funding contributions from the City. The operating and capital funds provided to the Toronto Zoo would be structured as an annual grant. A portion of the operating funds obtained from the City would be held by the private corporation to create a "rainy day" reserve fund to be used if there is financial shortfall. Under the best case financial scenario the Zoo would diminish and eliminate the need for a City tax supported operating subsidy by 2018. However, the Zoo's consultants note that most zoos, even restructured ones, do not often become fully financially self sufficient, and that some form of public sector funding may be required on an ongoing basis.

As part of the Proposal the Toronto Zoo prepared forecasts through 2023 of expected financial performance under a new private not for profit business model using a base, best and worst case financial scenario modelled with certain assumptions such as attendance and operating costs varied from the base case scenario. In the financial modelling, revenues were assessed against costs to estimate a surplus or deficit and a running total for a Zoo-held reserve fund. Attachment 4 to this report summarizes the estimated annual tax supported operating grant required and the resulting funding reserve that would be held, managed and invested by the Toronto Zoo. In addition to the City operating grant and the accumulation and use of a reserve fund, the City would provide a \$6 million annual capital grant indefinitely. It is estimated that the combined tax supported operating grant and the capital grant would total about \$129 million for the 2014 to 2023 period for the base case and worst case scenario and \$100 million for the best case financial scenario. By 2023 the funding reserve is forecasted to be between \$3.22 million and \$23.56 million depending on the Zoo's overall financial performance.

The Management Agreement

The new governance, financial and business arrangements would be detailed in and implemented through a long term management agreement with the City of Toronto. The

agreement as a contract would be the primary means used by the City to regulate the management of the Zoo. The terms of the management agreement would include:

- the management, operations and maintenance controlled by the independent private non profit corporation for a 20 year term for the management agreement, with renewal discussions commencing in year 18;
- a review of the management agreement in year 6 or 7;
- operation of the Zoo to at or above industry standards;
- an ongoing capital grant from the City to the private corporation of \$6 million annually, adjusted for inflation;
- an operating subsidy, with any surplus from operations held in a reserve fund to counter any future operating losses;
- capping of the operating reserve fund at \$20 million;
- a revised board structure providing for up to 30 board members; and
- reduced City participation in board governance and eventually only minimal participation on the Board should the Zoo approach or become financially self sufficient in the future.

Public Consultation

To inform the Proposal, and as directed by City Council, in November 2012, the Toronto Zoo held public consultations with the Zoo membership on their governance proposal. Members identified that they liked the idea of an independent community based board, donating funds to an independent zoo, and working with the Rouge National Urban Park to further conservation and environmental objectives. However, they felt the mandate of the Zoo was best accomplished within a public/community owned model rather than by a privately managed zoo. A summary of the public consultation is reproduced in Attachment 2 of this report.

Unsolicited Proposal

The Proposal was brought forward by the Toronto Zoo Board without solicitation, in response to the issuance of a Request for Expression of Interest (REOI) for the Toronto Zoo. Since the proposal put forward by the Toronto Zoo Board was brought forward outside of a procurement process and proposes entering into an agreement with a currently non-existent private, non-profit corporation, City procurement policy requires either a new REOI process be undertaken where inviting other potential bids through a competitive process may be necessary, or an explicit recognition by City Council exempting the Proposal from undergoing a competitive process.

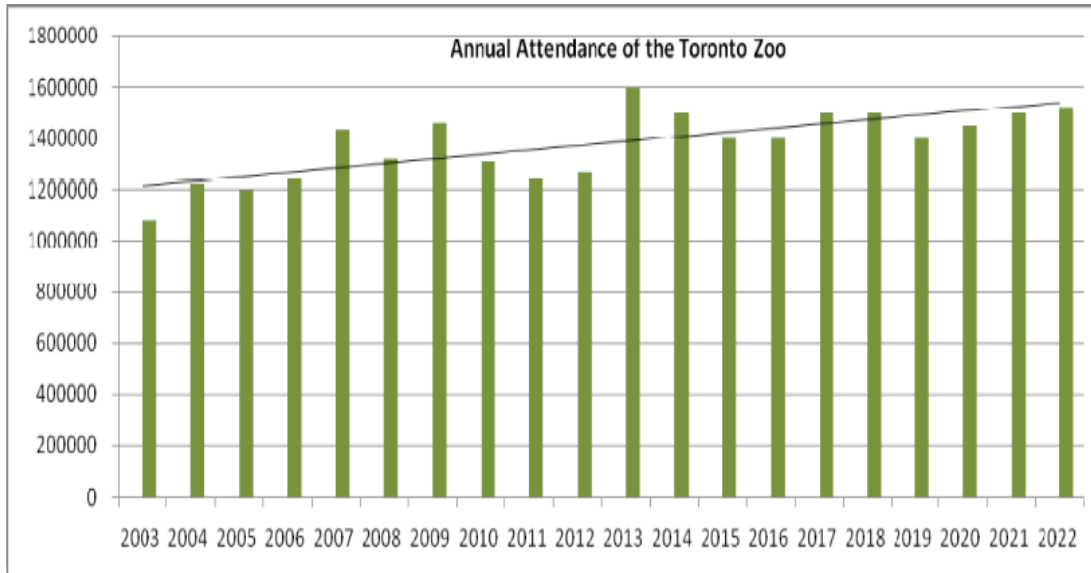
Staff Analysis of the Zoo Board Proposal

The Financial Model

The financial modelling undertaken as part of the Proposal relies on future attendance forecasting as a key driver of Zoo revenue. Between 2003 and 2012 Toronto Zoo attendance was variable reflecting the external factors impacting zoo visitation. To achieve the attendance forecast in Table 3 attendance was increased from the 2012 level by 1.6 percent annually for the next 10

years taking into account increased visitation due to the Giant Panda Exhibit, overall GTA tourism trends, and regional population growth. Attendance is forecasted to peak in 2013 at 1.6 million visits and level off afterwards to about 1.5 million visits in 2023.

Table 3: Forecasted Toronto Zoo Attendance



Source: Toronto Zoo, Proposed New Governance Model, August 26, 2013 pg 18

The base case financial model indicates that it would require an annual City grant for operating funding of between of \$11.61 million in 2014 diminishing to \$0.17 million by 2022 and 2023. In the base case analysis shown in Table 4, it takes until 2021 to bring the City's operating funding allocation to \$0.55 million. In 2022 and 2023 the Toronto Zoo achieves operating shortfalls of -\$1.23 million and -\$0.79 million respectively which would require use of the funding reserve resulting in an accumulated operating reserve of \$19.56 million by the end of 2023. For 2014 through 2022 the City's tax supported operating funding requirement in the base case is \$69.22 million. The Toronto Zoo's consultant notes that any underperformance on assumptions in the base case will result in less favourable financial outcome.

Table 4: Base Case Scenario of a Privately Managed Toronto Zoo

Category (All figures in \$ millions)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Operating Expenditures	51.31	50.99	51.71	52.88	49.33	49.65	50.67	51.70	52.64	53.43
Total self-Generated Revenues	38.77	37.83	38.09	40.93	41.38	40.11	41.95	44.11	45.71	46.37
Base Operating Surplus/(Shortfall)	-12.53	-13.16	-13.62	-11.95	-7.95	-9.55	-8.71	-7.59	-6.93	-7.06
Additional Revenue Opportunities	3.03	4.11	4.86	5.38	3.98	4.26	4.27	4.53	5.53	6.10
Revised Operating	-9.51	-9.05	-8.76	-6.57	-3.97	-5.29	-4.44	-3.06	-1.40	-0.96
City Appropriations	11.61	11.11	10.11	9.11	8.61	8.61	6.11	3.61	0.17	0.17
Surplus/Shortfall after City Appropriations	2.11	2.06	1.35	2.54	4.64	3.33	1.67	0.55	-1.23	-0.79
Accumulated YE Reserve	5.42	7.49	8.84	11.38	16.02	19.35	21.02	21.57	20.35	19.56

Source: Toronto Zoo, Proposed New Governance Model, August 26, 2013 pg 17

Table 5 below illustrates the best case financial forecast. In this case the self-generated Revenue is increased by 10 percent over the base case financial modelling and total

expenditures are reduced by 2 percent. The base case Additional Revenue Opportunities are increased from \$3.03 million in 2014 to \$6.71 million in 2024.

Table 5: Best Case Scenario of a Privately Managed Toronto Zoo

Category (All figures in \$ millions)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Operating Expenditures	51.31	52.01	52.75	53.94	50.31	50.64	51.68	52.73	53.69	54.50
Total self-Generated Revenues	38.77	41.62	41.90	45.02	45.52	44.12	46.15	48.52	50.28	51.01
Base Operating Surplus/(Shortfall)	(12.53)	(10.40)	(10.85)	(8.91)	(4.80)	(6.53)	(5.53)	(4.21)	(3.41)	(3.49)
Additional Revenue Opportunities	3.03	4.52	5.35	5.91	4.37	4.69	4.69	4.98	6.08	6.71
Revised Operating	(9.51)	(5.88)	(5.50)	(3.00)	(0.42)	(1.84)	(0.83)	0.77	2.67	3.22
City Appropriations	11.61	11.11	10.11	7.73	0.00	0.00	0.00	0.00	0.00	0.00
Surplus/Shortfall after City Appropriations	2.11	5.24	4.61	4.73	(0.42)	(1.84)	(0.83)	0.77	2.67	3.22
Accumulated YE Reserve	5.42	10.66	15.27	20.00	19.58	17.73	16.90	17.67	20.34	23.56

Source: Toronto Zoo, Proposed New Governance Model, August 26, 2013 pg 19

In total the City operating funding required from 2014 through 2023 is \$40.56 million. The operating reserve fund held and managed by the Toronto Zoo grows to \$23.56 million by 2022. The best case scenario requires many assumptions to exceed expectations and for expenditures to be reduced by 2 percent.

The Zoo Board's financial modelling relies on increased revenue raised from fundraising. The Zoo Board has commented that its ability to fundraise is currently limited. Staff agree that the Zoo's fundraising capacity can be increased and have recommended the Zoo Board incorporate a separate and independent charitable foundation for this purpose.

It is important to note that with all three financial modelling scenarios an assumption is made that \$3.3 million arising from 2013 surpluses will be attributed in 2014 to the reserve fund. This would appear contrary to the Council adopted recommendation as part of 2013 Operating Budget decisions concerning the Zoo:

365. City Council grant the Toronto Zoo a five-year exemption, starting with 2013, from the Surplus Management Policy to allow year-end Operating Budget surpluses to be contributed to the Toronto Zoo Stabilization Reserve (XQ2032) to be applied to any unforeseen year-end deficits during that period, and direct that any remaining balance to be transferred to the Zoo Animal Transaction Reserve Fund (XR1029) and the end of the five years.

This decision ensures that any surpluses arising from the Panda's visit to the Zoo would be applied to a conservation purpose, to ensure compliance with the Convention on International Trade of Endangered Species of Wild Fauna and Flora. If the 2013 \$3.3 million reserve fund contribution is omitted from the reserve funds included in financial modelling the worst and base case financial models are moderately impacted and the best case scenario is significantly impacted. In this situation, the zoo does not become financially self sufficient until 2021 and the reserve at \$12.51 million in 2023 is much less than forecasted in the proposal.

Potential Financial Benefits and Risks

The potential financial benefit to the City of a privately managed Toronto Zoo as proposed is that the financial exposure to the City for operating and capital funding for the Zoo is known up front and "locked in" until 2023 as part of a management agreement. This provides the City some certainty respecting its tax supported operating funding requirements, provided the Toronto Zoo performs well financially and does not seek additional future funding from the City. The cost of City funding for a privately managed Toronto Zoo from 2014 to 2023 is projected to be \$69 million in operating funding and \$60 million, plus indexing, in capital funding for a total of more than \$129 million under a base case and worst case scenario and \$100 million under a best case scenario.

Privatization of the Toronto Zoo also provides a theoretical opportunity savings benefit to the City of \$41.68 million between 2014 and 2023. However, the amount of savings projected assumes that the City's tax supported annual operating funding would remain at 2013 levels and is not lessened in the future. Given that the Toronto Zoo has become less reliant on City funding over time it could be possible for the Zoo to reduce the need for City tax supported funding in their current form as a City Board.

While there are potential benefits of a privately managed Zoo there are also potential risks in restructuring the Toronto Zoo, including management risk, asset risk, credit risk and investment risk.

Asset Risk

Under the proposal a private Zoo corporation would maintain buildings, facilities and infrastructure which are owned by the City. Should the Toronto Zoo experience financial pressure they could, at the discretion of the Board or senior management, defer state of good repair maintenance of the City's assets. The cost savings could be diverted into programming where shortfalls exist. In the longer run, systematic under-investment in state of good repair could depreciate the quality and value of the City owned zoo assets and undermine the overall attraction of the Toronto Zoo. A management agreement could try to specify standards and performance requirements for state of good repair of the City's assets but it could prove difficult to monitor and enforce.

Credit Risk

The Proposal suggests that a private corporation managing the Toronto Zoo would have the ability to borrow, invest retained funds, and enter into partnerships. The Toronto Zoo Board of Management as a City Board does not currently undertake investment or commercial borrowing activity. Funding is either tax supported or generated through City debt financing. It is difficult to ascertain how a privately managed Toronto Zoo would secure commercial financing. The Zoo would have no assets to "backstop" a commercial loan except the animal and plant collection which could not form security against a commercial loan. Use of the reserve fund as a loan guarantee could be unlikely as its acceptability would be dependent on consistently strong attendance in a business where attendance is dependent on many factors outside the Zoo management's control. If somehow reserve funds were used to guarantee a

commercial loan it could leave the Toronto Zoo in a potentially vulnerable financial position where a significant portion of the reserve fund generated by City tax supported operating funding is used for debt financing. Therefore, it is possible that any commercial loan would require a guarantee from a third party, and possibly the City. A loan guarantee provided by the City, to secure a commercial loan for the Toronto Zoo could create an unfunded liability. In this context there is no apparent advantage to commercial borrowing by a privately managed Toronto Zoo. The City has provided several of its agencies with debt financing for capital projects based on a business plan including repayments over a number of years. Two recent recoverable debt loan arrangements have helped construct a new refrigeration plant at George Bell Arena and the construction of a second ice pad at Leaside Arena. The possible provision of financing in this manner could provide an advantage over a privately managed Zoo in respect to borrowing.

Investment Risk

Should a privately managed Zoo consider investing the proposed reserve fund, City funding could be exposed to potential risks should the investment not meet its goals. A private corporation would have to develop strict and conservative investment policies focused on the conservation of capital rather than seeking significant capital growth, and implied risk. With limited City control over the partnered corporation, a management agreement would have to include a set of strict investment criteria, plus regular monitoring of performance and the investment portfolio risk profile.

To account for these various potential risks to the City, a legal agreement would be required between the City and a private zoo corporation with detailed terms and conditions regarding assets, borrowing, investing and partnering to protect the City's interests. Given the complexity of the proposed arrangement, it is unlikely that a management agreement, as proposed, is a sufficient legal arrangement to secure all City interests. Further, given the likelihood that the Toronto Zoo may never become financially independent from the City it is not practical to recommend that the management of the Toronto Zoo be a private, non-profit corporation.

Governance Structure Analysis

City staff assessed the strengths and weaknesses of the Zoo's proposed separate non-profit corporation governance structure with the current City Board and agency structure, and a City services corporation.

The Toronto Zoo as a City Board and agency is the staff preferred governance option to meet the City's current interests in the Zoo for the following reasons:

- Protection of the City's interests and participation of Members of Council in the Toronto Zoo in the most direct and practical manner possible with the least risk ;
- Promotion of transparency and accountability of the Toronto's Zoo actions to the City;
- Assurance of City Council decision making authority over significant City funding; and
- Allows for independent decision making of the Toronto Zoo Board of Management.

The key governance implications of a privately managed Toronto Zoo include:

- City Council appointments would be limited to external appointment, e.g. the Greater Toronto Airport Authority or the Metro Convention Centre;
- City Council appointees would be focused on financial related matters associated with oversight of the management agreement; and
- Legal authority over the private corporation would be limited to the enforcement and oversight of contractual obligations of the management agreement.

Staff note that a City services corporation structure for the Toronto Zoo would not add any significant value or benefit beyond the current agency model. City services corporations are best used with City agencies that deliver public services within a largely private sector, for-profit environment.

Staff Recommendations

Governance

This report recommends that the Toronto Zoo be retained as a City Board and agency as it provides the least risk and the most direct manner for City Council to protect City interests. The potential financial benefits of the Proposal are outweighed by its financial risks such as credit asset and investment risk. North American zoos, even those that have been restructured as independent of the municipal government, have difficulty completely eliminating the need for public sector funding support (see Attachment 5). The Toronto Zoo, as a City agency, is well managed and over time has reduced its reliance on City tax supported operating funding. Its relative portion of public operating funding is similar to the Calgary Zoo which, although private and independent, receives significant funding from the City of Calgary. While the Proposal identifies a potential opportunity for further cost saving to the City if the Toronto Zoo is management privately, there is no clear rationale as to why these savings cannot be achieved as a City agency.

With a private non-profit corporation managing the Toronto Zoo there are potential credit and investment risks. A management agreement with the City would be the method used to structure a legal framework to mitigate risks. A disagreement over compliance with the management agreement could result in a major dispute resolution or potential litigation. Financial under-performance could result in requests for additional funding from the City or under-investment in the Zoo facilities to reduce expenditures. Commercial borrowing will be difficult for the private corporation since they have no assets which could be used as security. The City or a third party would have to guarantee such borrowing at a higher rate than City debt financing. City operating and capital funding to the Toronto Zoo would have to be structured as either a very significant grant or a management fee.

It is appropriate to revisit the Toronto Zoo Board's governance and composition once partnerships with other governments are explored and consultation with key stakeholders are completed, and a new Zoo Strategic Plan and Facilities Master Plan is developed. The Strategic Plan for the Rouge National Urban Park needs to be developed so areas of potential synergy between the Toronto Zoo and Parks Canada can be identified, and reflected in the Zoo's Strategic Plan and Facilities Master Plan.

Strategic Business Planning

A new Strategic Plan and Facilities Master Plan could be used to articulate a refocused vision for the Toronto Zoo. The advent of the Rouge National Urban Park provides a catalyst and theme for reshaping the image of the Toronto Zoo through collaboration and aligned partnerships that meet common public policy objectives. This report recommends that the Toronto Zoo Board of Management's strategic planning exercise currently underway and expected to be completed in 2014 incorporate the new strategic vision into program design and prepare a capital Facility Master Plan, and to submit it to the City Manager for transmittal to City Council.

Provincial Role in the Toronto Zoo

This report recommends that the Province of Ontario take a strong role in the future of the Toronto Zoo. The Toronto Zoo attracts visitors throughout the GTA and is an important regional tourism attraction and public asset. However governance and public funding for the Toronto Zoo is borne heavily by the City of Toronto despite the non-core municipal role of the Zoo. This creates a situation where GTA residents enjoy the benefit of the Zoo but they do not pay for its upkeep, capital requirements or programming except through admissions and on site spending. Capital and operating needs which cannot be paid by self-generated revenues, about \$17 million in 2013, are borne by City of Toronto taxpayers.

The Province of Ontario and Toronto Zoo have aligned public policy interests that could be pursued between the Toronto Zoo and the Province of Ontario to promote the public good in at least four areas: tourism, wildlife and habitat conservation, environmental sustainability, and public education. With the Toronto Zoo, the Province of Ontario could explore areas of mutual cooperation where government environmental and conservation policy objectives can be jointly met through collaboration on shared programming at the Toronto Zoo. As an example, the Ontario Ministry of Natural Resources undertakes the Species at Risk Stewardship Fund program which supports volunteer groups to save endangered animal and plant species in Ontario will provide funding support for 75 new projects and 32 multi-year projects in 2013 and 2014. The Toronto Zoo has thousands of members and attracts over a million visitors annually. This is a devoted and captive market that could engage in community based conservation and environmental projects that align with conservation related programs such as the Species at Risk Fund program.

Collaboration with Parks Canada and the Federal Government

This report recommends the establishment of a Memorandum of Understanding to facilitate formal collaboration between the Toronto Zoo, and the City of Toronto and Parks Canada over the development of the Rouge National Urban Park in respect to the Toronto Zoo and the Beare Road landfill site. The Rouge National Urban Park, over future years, will become as an area 13 times larger than Stanley Park in Vancouver one of the world's largest urban parks. As a major recreational and cultural asset located adjacent the Toronto Zoo, it could become the focus of major urban conservation and restoration activity for wildlife and habitats. This potential creates a significant opportunity for collaboration and partnering on programs and possibly capital projects of mutual interest and benefit. In addition, attendance at both the Zoo

and the Park could be boosted as each venue, through collaboration, could provide complimentary attraction content which could boost attendance for each venue. This report also recommends that Council request the Government of Canada to provide funding for any new or shared joint capital infrastructure.

The Role of Learning and Education Institutions

A third potentially powerful source of collaboration is large public institutions such as the University of Toronto, the University of Guelph, the TRCA and the Toronto Board of Education. Not only do the university institutions provide a wealth of leading edge knowledge in animal science, biology, zoology, conservation, environmental science and environmental education but the universities undertake important research which can be operationalized at the Toronto Zoo to improve the animal care, conservation, environmental sustainability and public education efforts of the Toronto Zoo. While the Zoo has some connection to these institutions, particularly with veterinary sciences at the University of Guelph, it is recommended that further, strengthened collaboration be undertaken. In addition, the University of Toronto in particular also has a powerful fundraising operation and collaboration with the Toronto Zoo may help the Zoo's future fundraising efforts.

A New Tripartite Agreement

The TRCA has indicated a desire to refresh and update the Tripartite Agreement between the Toronto Zoo, the City of Toronto and the TRCA, which is a license to operate a Zoo on the TRCA lands forming the majority of the Toronto Zoo. TRCA staff has indicated that the initial 1961 Agreement outlining flood protection requirements for the Zoo lands should remain in place and that the subsequent 1978 agreement should be amended or replaced to form a revitalized agreement. It is recommended that regardless of the governance model used to manage the Toronto Zoo that the Tripartite Agreement be updated.

Creation of a Separate Charitable Foundation

The Proposal states a goal to increase contributed revenue from 2 to 12 percent of self-generated revenue. This is a desirable goal and this report recommends that the Zoo Board create a separate and independent charitable foundation to facilitate increased fundraising, sponsorship, donation and partnership activities.

Currently, the Toronto Zoo has the authority to create a charitable foundation to raise funds to support its activities. The Zoo Board would be responsible for the establishment and implementation of a charitable foundation, including the recruitment and appointment of its board members and citizen appointments, and could make cross appointments between its Board and foundation.

Relationship Framework between the City and the Toronto Zoo

This report recommends that the City Manager develop in consultation with the CEO of the Toronto Zoo and Zoo Board a relationship framework to oversee City and Toronto Zoo relations. The relationship framework would capture the various outcomes of Council

directions as a result of the report's recommendations, including the affirmation that future decisions regarding the acquisition, disposition and overall management of the Zoo's animal and plant collection is the responsibility of the Toronto Zoo and Board of Management.

Conclusions

This report responds to a Council directive to consider a proposal from the Toronto Zoo Board which recommends the Toronto Zoo separate from the City by reorganizing into a private non-profit corporation to operate and manage the Toronto Zoo through a management agreement with the City. The proposal indicates the need for ongoing operating funding from the City through at least 2018, and possibly indefinitely, and permanent capital funding support.

City staff have assessed the Proposal and recommends that the Toronto Zoo be retained as a City agency and board. A Strategic Plan and Facility Master Plan are requested to outline future vision of the Toronto Zoo Board as a City agency. Furthermore, this report recommends that the Zoo Board create a separate and independent charitable foundation for fundraising, sponsorship, donation and partnership purposes in alignment with its Strategic Plan.

This report also discusses the Toronto Zoo within a regional context and recommends the Province of Ontario take a strong role in the future of the Zoo. Collaboration with Parks Canada and capital funding support from the federal government for shared capital infrastructure are also key recommendations for Council consideration. A revised Tripartite Agreement with the TRCA is also required

This report also discusses the need for the City Manager to review governance and prepare a relationship framework between the City and the Toronto Zoo for Council approval. Finally this report requests that Council affirm that future decisions regarding the acquisition, disposition and overall management of the Zoo's animal and plant collection is the responsibility of the Toronto Zoo Board of Management.

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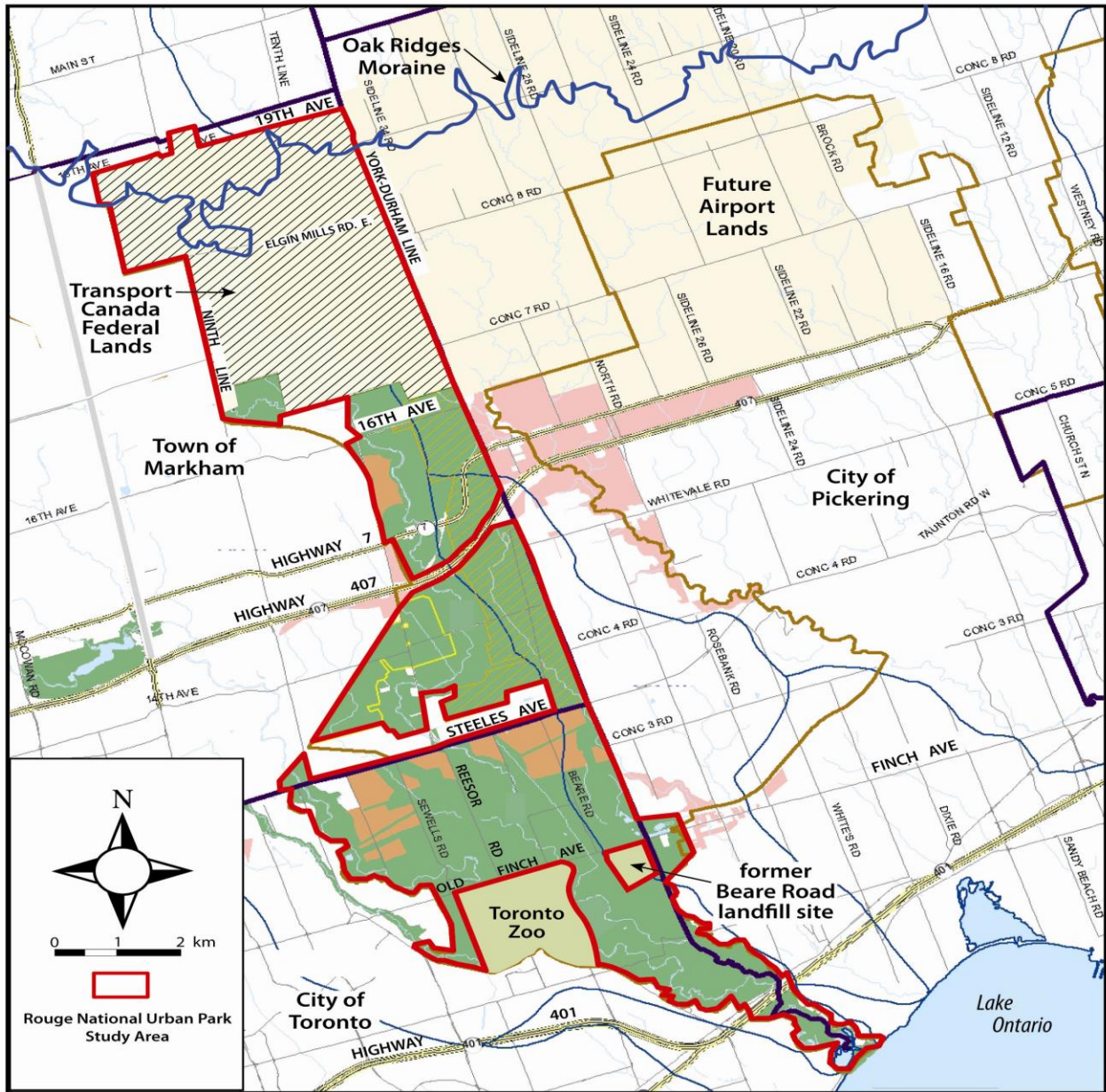
SIGNATURE

Joseph P. Pennachetti
City Manager

ATTACHMENTS

- Attachment 1: Future of the Zoo Report dated August 26, 2013 and Schutlz & Williams Reports dated March 18, 2013 and August 21, 2013
- Attachment 2: Public Consultation Summary
- Attachment 3: Preliminary TRCA Tripartite Agreement Term Sheet
- Attachment 4: Rouge National Urban Park Map
- Attachment 5: Comparison of Restructured North American Zoos

Attachment 3: Rouge National Urban Park Study Area



Note: This map is of a Study Area only. The lands shown are currently under review for possible inclusions/exclusions to the national urban park. This map does not represent proposed park boundaries.

Attachment 4: Annual City Tax Supported Operating Grant and Annual Reserve

Year	Worst Case City Grant	Best Case City Grant	Base Case City Grant	City Capital Grant	Worst Case Reserve	Best Case Reserve
2014	\$11.61M	\$11.61M	\$11.61M	\$6M	\$5.42M	\$5.42M
2015	\$11.11M	\$11.11M	\$11.11M	\$6M	\$5.90M	\$10.66M
2016	\$10.11M	\$10.11M	\$10.11M	\$6M	\$5.62M	\$15.27M
2017	\$9.11M	\$7.73M	\$9.11M	\$6M	\$6.38M	\$20.00M
2018	\$8.61M	\$0	\$8.61M	\$6M	\$9.24M	\$19.58M
2019	\$8.61M	\$0	\$8.61M	\$6M	\$10.85M	\$17.73M
2020	\$6.11M	\$0	\$6.11M	\$6M	\$10.72M	\$16.90M
2021	\$3.61M	\$0	\$3.61M	\$6M	\$9.35M	\$17.67M
2022	\$.17M	\$0	\$0.17M	\$6M	\$6.09M	\$20.34M
2023	\$.17M	\$0	\$0.17	\$6M	\$3.22M	\$23.56M
Total	\$69.22M	\$40.56M	\$69.22M	\$60M		
	\$129.22M	\$100.56M	\$129.22M	Total City Operating and Capital Grant		

Note: The 2014 Reserve Fund amount includes a \$3.3 million contribution from 2013

Source: Toronto Zoo, Proposed New Governance Model, August 26, 2013 pg17-19

Attachment 5: Comparison of Restructured North American Zoos

The Proposal asserts that if it is restructured to a private management model it will perform better financially, and could become financially independent of the City for operating funding by 2018 under a best case scenario. North American zoos that have become independent of municipal control or ownership, even though their revenues from fundraising, sponsorships and partnerships may have increased in many cases, still require municipal funding. The consultants for the Toronto Zoo state that of 221 zoos accredited by the Association of Zoos and Aquariums (AZA) only 6 are financially self-reliant and the AZA benchmark for municipal support is between 30 to 35 percent of the total operating budget (Attachment 1, Schultz and Williams, August 21 2013 page 2).

The Toronto Zoo as a City Board compared to other North American zoos which operate independent of municipal control compares well financially. Table 1 below shows that of the zoos in the United States that have restructured to become more independent of their respective city or state government they still generally require municipal funding. The Calgary Zoo, a major Canadian Zoo operated privately, also receives significant public sector funding support. Municipal support in 2010 for the zoos listed in Table 1 ranged from a low of 11% of total revenue to a high of 53.2%. In absolute terms the subsidies ranged from \$.582 million to \$10.80 million.

Table 1: 2010 Municipal Financial Support as a Percentage of Total Revenue

Zoo	City Support	Total Revenue	% Municipal Support
Dallas	\$10.80M	\$20.28M	53.2%
Detroit	\$7.58M	\$37.79M	20.1%
Houston	\$8.38M	\$29.00M	28.9%
Sacramento	\$.582M	\$5.31M	11.0%
Woodland Park	\$10.00M	\$30.15M	33.2%
Calgary	\$6.69M	\$31.77M	22.0%
Average	\$7.34M	\$20.69M	35.4%
Toronto	\$11.38M	\$42.309M	26.9%

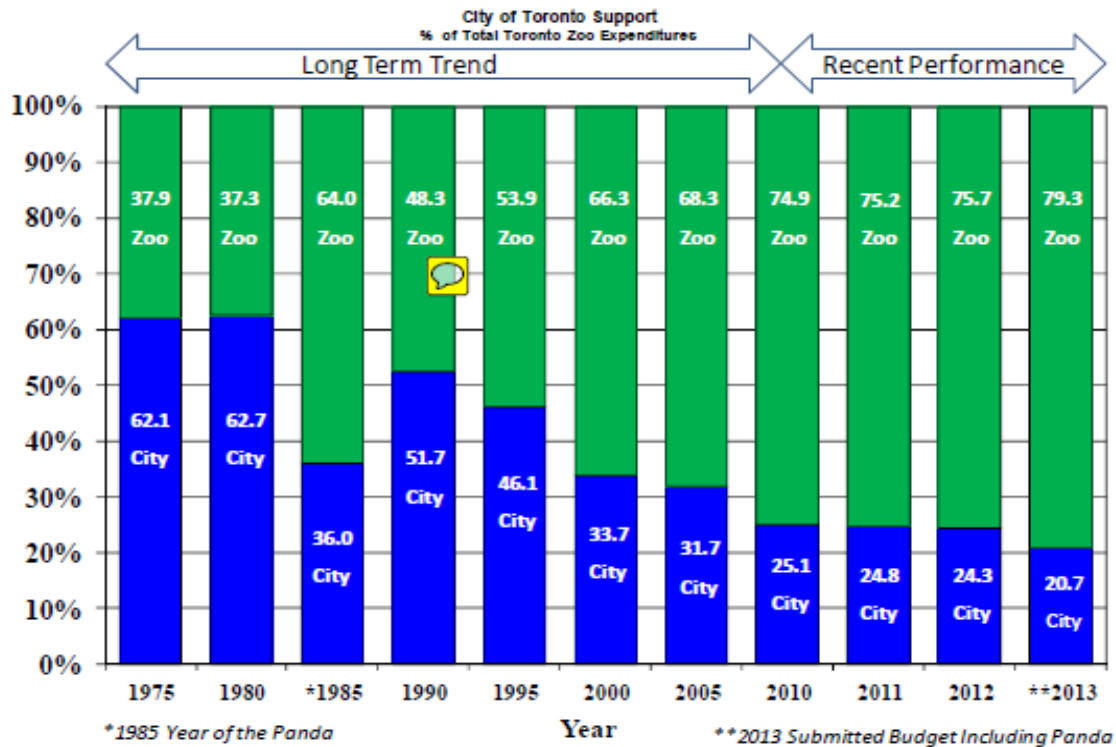
Sources: Attachment 1, Schultz and Williams pg 26-28, Toronto Zoo 2011 Audited Financial Statements

The Atlanta Zoo which was restructured to private ownership in 1985 does not receive any municipal funding, but as one of the Zoo's consultants notes, it has struggled with servicing its debt load. The Calgary Zoo has operated at arm's length from the City of Calgary the through a Zoological society since the 1920s. In 2010 they received 22% of their funds from the City of Calgary. Such contributions recognize the contribution made by attractions such as the Zoo to the economic development of a City.

Table 1 shows that in 2010 the Toronto Zoo received 26.9 percent of its funding needs from the City, well less than the average for the restructured independent, privately managed Zoos and only 4.9% higher than the Calgary Zoo.

The Toronto Zoo has, as a City agency, continued to reduce its dependence on City funding through 2013. According to Table 2 below, over the long term the Toronto Zoo has reduced its City funding support from 62.1 percent of its financial needs in 1975 to an estimated 20.7 percent in 2013.

Table 2: Percentage of City Funding Support: 1975-2013



The Toronto Zoo structured as a City agency shows that compared to independent North American Zoos, including the Calgary Zoo, the Toronto Zoo is well managed financially as a City agency, and has reduced its reliance on City funding.

The Calgary Zoo

The Toronto Zoo Board proposes a governance and business model similar to the one used by the Calgary Zoo. The Calgary Zoo is operated by the Calgary Zoological Society which was established in 1929. The Zoo operates independently from the City of Calgary under the provisions of an agreement with the City. The Calgary Zoo is a federally registered charitable organization and a provincially registered not-for-profit. Zoo revenue is reinvested back into the zoo in support of their facilities and programs. The Calgary Zoo operates a foundation, which is managed through the Society with a common Board of Trustees. The City of Calgary provides an annual grant to the Zoo, and provides approximately 20 percent of the operating funds required to finance the Zoo's operations. Funding for capital projects is also provided from time to time by the Alberta government, including funds generated by Provincial lotteries. The Government of Canada provides research funds for conservation activities. The Calgary Zoo undertakes fundraising and sponsorship for funding. The Calgary Zoo Board is comprised of 16 to 25 members of the Zoological Society selected by the Society's members.

Tables 3 and 4 below indicate in 2011 the Calgary Zoo received \$7.019 million in operating grants and \$10.735 million in capital assistance for a total of \$17.755 million in grants and assistance on revenues of \$32.769 million. In 2011, \$16.688 million of the \$17.755 million in grants and assistance was provided by the City of Calgary. Donations and sponsorships totalled \$1.956 million or 6 percent of total revenue. Both operating grants and capital assistance from public sources, primarily the City of Calgary, play a key role in funding the Calgary Zoo which is managed privately at arm's length from the public sector.

Table 3: Capital Sources for the Calgary Zoo

Capital Source	2008	2009	2010	2011	2012
Private Capital	\$1.143M	\$1.598M	\$0.999M	\$1.066M	\$1.031M
City of Calgary	\$3.224M	\$9.403M	\$5.362M	\$9.669M	\$2.902M
Provincial Capital	\$6.414M	\$1.300M	\$0.025M	\$0M	\$0.125M
Total Capital	\$10.781M	\$12.301M	\$6.3866M	\$10.735M	\$4.058M
Percentage Public Capital	89.4%	87.0%	84.3%	90.1%	74.6%

Source: Attachment 1, Schultz and Williams, pg 25

Table 4: Calgary Zoo Revenues and Operating Expenses (000's)

Revenues	2010	%	2011	%
Admissions	\$8.820M	27.8%	\$9.149M	27.9%
City Operating Grants	\$6.990M	22.0%	\$7.019M	21.4%
Food and Beverage	\$6.481M	20.4%	\$6.606M	20.2%
Memberships	\$3.008M	9.5%	\$3.030M	9.2%
Donations/Fundraising/Sponsorship	\$1.446M	4.6%	\$1.956M	6.0%
Gift Sales	\$2.537M	8.0%	\$2.584M	7.9%
Programs	\$1.132M	3.6%	\$1074M	3.3%
Parking	\$0.864M	2.7%	\$0.785M	2.4%
Other	\$0.218M	0.7%	\$0.296M	0.9%
Investment Income (includes sales)	\$0.274M	0.9%	\$0.270M	0.8%
Total Revenue	\$31.770M	100.0%	\$32.769M	100.0%
Operating Expenses				
Salaries, Wages, Benefits	\$16.313M	57.4%	\$17.032M	59.6%
Amortization	\$5.882M	20.7%	\$5.511M	19.3%
Cost of Goods Sold	\$3.238M	11.4%	\$2.942M	10.3%
Operations/Maintenance	\$2.320M	8.2%	\$2.452M	8.6%
Animal Care	\$0.516M	1.8%	\$0.511M	1.8%
Botanical Care	\$0.144M	0.5%	\$0.133M	0.5%
Total Expenses	\$28.413M	100.0%	\$28.581M	100.0%
Excess Revenue	\$3.357M	10.6%	\$4.188M	12.8%
% City Grant to Excess Revenue	48.0%			59.7%

Source: Attachment 1, Schultz and Williams, March 18, 2013 pg 25

According to Table 4, labour is the largest expense for the Calgary Zoo, comprising 57.4% and 59.6% of their operating costs in 2010 and 2011.

The donations, fundraising and sponsorship activities of the Calgary Zoo comprised \$1.446 million and \$1.956 million in 2010 and 2011 respectively, and while important activities, were outstripped by food and beverage and gift sales as more important revenue sources. This supports the conclusion that retail plus food and beverage sales can be an important component of zoo revenue, and can play a more important role than fundraising activities.