TRANSMITTAL MEMORANDUM

Re: Toronto Zoo – 2016 Operating Budget Submission: DRAFT

Introduction

Following one of the best financial years in its 40 year history in 2013, with significant growth in visitor revenues that achieved record levels, the Toronto Zoo and other GTA attractions experienced some very challenging and competitive conditions in 2014. Although the final attendance numbers were down versus budget and prior year, the Toronto Zoo performed quite well considering the fact that the first new major attraction in Toronto in over 20 years opened late 2013 and, due to its nature, was in direct competition with the Toronto Zoo. Nevertheless, the first two (2) years of the Giant Panda experience resulted in more than 2.65 million visitors coming to the Zoo and just under $68.0 million in visitor facing revenues over the 2 year period.

As the Toronto Zoo approaches the mid-point of the five (5) year panda conservation loan program, much has been learned from the experience. For example, great advances have been made by the Toronto Zoo team in the area of Reproductive Physiology research and artificial insemination (AI) of the species. However, it is also known that the 2014 attendance was not consistent with the experience in 2013. As such, for the 2016 Budget, the attendance metric from the initial 5 year Panda plan approved in 2013 has been adjusted to 1.325 million visitors (a reduction of 0.075 million) to realign the budget with actual experience. Since the Pandas have now been at the Toronto Zoo for almost 30 months, it makes good business sense to review the attendance experience and adjust the metric based on experience. This will make the budget more relevant as the original budget was based on a study, with no actual experience to build from in our specific market. It is anticipated that realigning the budget will also minimize large variances and be more achievable. As mid-year 2015 approaches, various factors (including extreme weather) have impacted progress related to the budget objective year-to-date.

The Toronto Zoo’s Base 2016 Operating Plan and Budget submission meets the target of 2% efficiencies from the approved 2015 operating budget. The 2016 Requested Base Net Operating Costs of $12.2 million are increasing by 3.9% from the approved budget for 2015 Net Operating Costs. This increase reflects the second year of the OMERS adjustment ($0.375 million) previously agreed to with the Financial Planning Division and the remainder relates to incremental wage and benefit costs. All other cost components have been held to a zero growth or reduced in the 2016 budget submission.

Gross Program expenditures of $51.6 million have increased by 2.0% due to the cost factors mentioned previously. Base attendance is estimated at 1.325 million for 2016, a decrease of 75
thousand visitors from the fourth year estimate for 2016 from the original 5-year projection. As outlined in the budget guidelines, user fees for memberships, general and school group admissions have been reviewed. Admission and Membership fees were last adjusted in 2013 and reflect the added value of the Zoos attractions, and no increase is planned in the 2016 budget submission.

Program revenues of $39.4 million for the 2016 Operating Budget are essentially flat versus approved levels for 2015 and reflect the adjusted attendance levels and other offsetting factors related to increased Food Services offerings and per cap history.

**Governance Structure**

The Toronto Zoo is an asset of the City of Toronto. The operation, management and maintenance of the Zoo is the responsibility of the Board of Management of the Toronto Zoo. As a result of structure changes to the Board approved by City Council in 2011, the Board of Management is currently comprised of twelve members, including three members of Toronto City Council, one appointee of the Mayor, and eight citizen members.

**2015 Key Service Achievements**

The following significant achievements are anticipated to be accomplished in 2015:

- Commenced implementation of the 2015-2020 Strategic Plan;
- Commenced construction of the new 2,900 square metre Wildlife Health Centre;
- Opened “Wild Connections”, a temporary, interactive augmented reality experience, together with the National Geographic photography exhibit;
- Successfully transferred “Humphrey” our 1 year old polar bear, in February to the Assiniboine Park Zoo in Manitoba at an event attended by Mayor John Tory;
- Maximized the opportunity for success of the Artificial Insemination (AI) process for Er Shun, our female Giant Panda, with hopeful outcome to be confirmed in the fall of 2015;
- Opened the revitalized Eurasia area “Eurasia Wilds” as part of the North Zoo Site Redevelopment project;
- Initiated collaborative efforts with Parks Canada to maximize potential benefits associated with the location of the Toronto Zoo adjacent to the Rouge National Urban Park;
- Improvements to guest services through improved wayfinding and signage.

**2016 Strategic Direction and Service Priorities**

A new Strategic Plan (2015-2020) for the Toronto Zoo was completed in early 2015, replacing the plan last revised in 2009. The new strategic plan outlines the mission of the Zoo as a living centre for education and science, committed to providing compelling guest experiences and inspiring passion to protect wildlife and habitats, with a vision of being Canada’s national leader in saving wildlife to ensure the rich diversity of nature for future generations.

The goals of the new strategic plan will be a key input to the budgets formulated throughout the duration of the plan and are outlined in the Service Level Review process. As well, other key factors will continue to be addressed in 2016 include updating the land agreement between the City, Toronto Zoo, and the TRCA; development of a relationship agreement between the City
and the Board of Management of the Toronto Zoo; establishment of an independent fundraising entity for the Zoo, and, completion of the new Master Plan for the Zoo and commencement of its implementation.

2016 Budget Pressures

Significant budget pressures continue to face the Toronto Zoo in 2016. To relieve some key budget pressures faced by the Zoo, the City supported an adjustment to OMERS costs by $0.375 million in each of 2015 and 2016 to align the budget with actual experience. The Toronto Zoo team is diligent about its responsibility to mitigate overall budget pressures to the City through meeting budget reduction and zero growth targets. Like many other City programs, the Toronto Zoo consistently delivers on the City reduction and efficiency targets in recent years and has done so as part of the 2016 Budget process.

The Zoo has continued to complete a detailed review and analysis of expenditures on a line-by-line basis with the objective of working towards alleviating some of the financial pressures on the City. In order to meet the City prescribed targets, the Toronto Zoo has not been able to apply any non-wage economic factors in many of the recent budget cycles and has therefore absorbed related cost increases through effective utilization of existing resources and cost efficiencies realized in the business, and through scheduled fee increases.

In order to address City budget pressures and partially proceed towards a zero growth target for 2016, the Toronto Zoo has included a reduction business case to reflect 1.9% in efficiency gains. However, there is limited opportunity for further reductions in order to maintain the minimum level of services for 2016. The consequences of not approving the key base level business case for salary and benefits adjustments may result in the need for a possible price increase earlier than had been anticipated, and deferral of maintenance and other programs that could impact the quality of the visitor experience.

Base and New / Existing Services Changes

As anticipated, through 2013, 2014, and 2015 the Giant pandas have been a key driver in stimulating attendance. Attendance levels for 2016 are anticipated to be 1.325 million visitors. Accordingly, the related expenditure and revenue impact is reflected in the base for the 2016 plan.

No increases for general admission and school group pricing are anticipated for 2016, as the Toronto Zoo implemented a significant change in 2013 to reflect the added value of the Zoo’s attractions. The “peak” / “non-peak” pricing methodology implemented several years ago continues in 2016 for General, Senior and Child fees as a means of encouraging increased visitation in the shoulder season.

2016 Priority Goals

In summary, the Zoo has the following priority goals in 2016:

- Implementation of the five (5) year Strategic Plan;
- Complete the new Master Plan which will outline future direction for programs and infrastructure at the Toronto Zoo;
• Establish compelling opportunities for partners, sponsors and donors, to support wildlife and habitats in our priority areas and our conservation focus;
• Establish independent fundraising Foundation and leadership to focus on campaign to raise funds for capital projects, exhibit improvements and conservation and education programs;
• Nurture a strong and supportive relationship with the new fundraising entity to facilitate significant contributions to the Zoo
• Continue collaborative efforts with Parks Canada to maximize potential benefits associated with the location of the Toronto Zoo adjacent to the Rouge National Urban Park;
• Finalize various land use and relationship agreements with the City and TRCA;
• Advance accessibility on the Zoo site;
• Advance to a zoo-based conservation centre of excellence;
• Reinvest in renewal of facilities and infrastructure to meet and exceed standards and regulations;
• Obtain / maintain accreditation with various accrediting and regulatory authorities.
• Pursue all available grants to deliver optimal conservation and research programs;
• Build and organization that is fiscally and environmentally sustainable for the long term;
• Create opportunities for new audiences to connect with and support the new mission and to increase revenue and attendance;
• Continue implementation of the Zoo’s “green plan” with initiatives for 2016;
• Develop strategic alliances using a diverse platform of conservation actions and stewardship programs;

In recent years, the Toronto Zoo has managed to deliver on reduction and zero growth targets established by the City. Approval of the 2016 Requested Budget Net Operating Cost of $12.2 million will enable the Toronto Zoo to meet its operating needs in 2016 and re-align critical expenditures lines to more current levels. Options to meet the zero growth objective established by the City will continue to be reviewed and developed, however, significant budget pressures will result in relation to the difficulty of maintaining adequate service levels without any adjustment to reflect inflationary increases to the cost base.

The Giant Panda Experience and other innovative shorter-term exhibit offerings (Dinosaurs Alive - 2007, Stingray Bay - 2008, Sharks at Stingray Bay – 2009, 2010 & 2011, Wild Connections - 2015), together with new permanent exhibit openings (Great Barrier Reef - 2008, Tundra Trek – 2009, the African Rainforest Pavilion renovation, Penguin Exhibit (2011), White Lion Exhibit (2012) and Eurasia Wilds (2014)) have stimulated visitor interest and assisted the Zoo in the effort towards ensuring a relevant and dynamic visitor experience. In consideration of the 2016 primary goals listed above, it is anticipated that significant interest and loyalty will be renewed for the Toronto Zoo in 2016 and beyond.

**2017 Outlook**

The outlook for 2017 has been updated to reflect the fifth and final year of the Giant Panda Experience with attendance numbers of 1.35 million visitors and the related revenue impact.
**Toronto Zoo Mission**

A living centre for education and science, committed to providing compelling guest experiences and inspiring passion to protect wildlife and habitats.

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**Zoo Visitor Services**

*Purpose:*
To provide a unique visitor experience that is fun, safe, welcoming, memorable, and interactive, while facilitating close, personal interaction among family members and friends, inspired by the Zoo’s compelling wildlife population and its commitment to sustainable living, ultimately inspiring people to love, respect and protect wildlife and wilds spaces.

**Service Customers**
- Zoo Visitor
- Schools
- Local Organizations
- Tour Groups
- Strategic Partners
- Local Business Community
- Local Hotels and Restaurants
- Transit Services

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**Zoo Fundraising & Strategic Partnerships**

*Purpose:*
To develop, plan and execute all fundraising programs and activities in two distinct program areas; annual fund and capital campaign, while building strategic relationships and realizing fundraising capacity.

**Service Customers**
- Businesses and Corporations
- Corporate Business Sponsors / Alliances
- Media Partners
- Federal and Provincial Governments
- Not for Profit Organizations
- Universities & Colleges
- NGO’s
- Donors and Philanthropic Entities

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**Zoo Conservation & Science**

*Purpose:*
To emphasize the role of zoos in providing leadership in conservation and sustainability programs including the preservation of endangered plants and animal species and threaten natural areas while emphasizing zoogeographical exhibits of habitats, the stewardship role of the human species in managing our planet, and the maintenance of biodiversity and natural ecosystems.

To provide compelling education and outreach experiences, delivered through programs, curricula and teaching strategies that support the Toronto Zoo’s mission and efforts to save wildlife and inspired care for the world’s natural heritage, with a focus on teachers, students and the general public locally and nationally to affect change in attitudes about wildlife and therefore motivate individuals to make sound environmental choices towards ensuring a sustainable future.

**Service Customers**
- Educators
- Conservationists
- Federal and Provincial Governments
- Universities, Colleges, and Wildlife Societies
- Zoological Institutions & Accrediting Bodies
- Environmental Organizations
- Wildlife Researchers
<table>
<thead>
<tr>
<th>Description</th>
<th>Expenditures $</th>
<th>Revenue $</th>
<th>NET Expenditures $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015 COUNCIL APPROVED BUDGET</strong></td>
<td>50,562.9</td>
<td>38,855.1</td>
<td>11,707.8</td>
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<tr>
<td>2015 In-year adjustments (Insurance Adjustment)</td>
<td>31.2</td>
<td>-</td>
<td>31.2</td>
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<tr>
<td><strong>2015 APPROVED OPERATING BUDGET (WITH 2014 IN-YEAR ADJUSTMENTS)</strong></td>
<td>50,594.2</td>
<td>38,855.1</td>
<td>11,739.1</td>
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<tr>
<td>Impact of prior year approvals</td>
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<tr>
<td>Division Salaries and Benefits (Zero based)</td>
<td>(29,636.8)</td>
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<td>(29,636.8)</td>
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<tr>
<td>Economic Factors - Utilities</td>
<td>133.7</td>
<td>-</td>
<td>133.7</td>
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<tr>
<td>Economic Factors - Wildlife Nutrition</td>
<td>96.9</td>
<td>-</td>
<td>96.9</td>
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<tr>
<td>User Fees (Zero based)</td>
<td>(34,098.3)</td>
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<td>34,098.3</td>
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<td><strong>2016 ADJUSTED BASE BUDGET</strong></td>
<td>21,188.0</td>
<td>4,756.8</td>
<td>16,431.2</td>
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<td>Base budget volume change</td>
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<tr>
<td><strong>Base budget changes</strong></td>
<td></td>
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<tr>
<td>Base Salaries &amp; Benefits</td>
<td>30,278.3</td>
<td>30,278.3</td>
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<tr>
<td>OMERS Adjustment</td>
<td>375.0</td>
<td>375.0</td>
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<tr>
<td>Reduction in Panda Budget in accordance with 5-year plan</td>
<td>(965.0)</td>
<td>(1,033.2)</td>
<td>68.2</td>
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<tr>
<td>Reduction in contribution to Stabilization Reserve</td>
<td>(68.2)</td>
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<td>(68.2)</td>
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<tr>
<td><strong>sub-total: Other Base Changes</strong></td>
<td>29,620.1</td>
<td>(1,033.2)</td>
<td>30,653.3</td>
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<tr>
<td>Base revenue changes (User Fee related Revenues)</td>
<td>1,023.4</td>
<td>35,667.8</td>
<td>(34,644.4)</td>
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<td><strong>2016 BASE BUDGET PRIOR TO SERVICE CHANGES</strong></td>
<td>51,831.4</td>
<td>39,391.5</td>
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<td>Base savings to achieve target</td>
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<tr>
<td><strong>Efficiency savings</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Utility efficiencies</td>
<td>(133.7)</td>
<td></td>
<td>(133.7)</td>
</tr>
<tr>
<td>Wildlife Nutrition</td>
<td>(96.9)</td>
<td></td>
<td>(96.9)</td>
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<tr>
<td><strong>Revenue changes - Rate</strong></td>
<td></td>
<td></td>
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<tr>
<td>Zoo Camp Fee Increases</td>
<td>10.3</td>
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<td>(10.3)</td>
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<tr>
<td>Zoo School Fee Increase</td>
<td>3.6</td>
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<td>(3.6)</td>
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<tr>
<td><strong>sub-total: Service Level Adjustments</strong></td>
<td>(230.6)</td>
<td>13.9</td>
<td>(244.4)</td>
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<td><strong>2016 BASE BUDGET</strong></td>
<td>51,600.9</td>
<td>39,405.3</td>
<td>12,195.5</td>
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<tr>
<td>CHANGE FROM 2015 APPROVED BUDGET</td>
<td>1,006.7</td>
<td>550.2</td>
<td>456.5</td>
</tr>
<tr>
<td>% CHANGE FROM 2015 APPROVED BUDGET</td>
<td>2.0%</td>
<td>1.4%</td>
<td>3.9%</td>
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</tbody>
</table>
## TORONTO ZOO

### 2016 OPERATING BUDGET BY SERVICE

<table>
<thead>
<tr>
<th></th>
<th>2015 Approved Budget</th>
<th>2016 Req Budget</th>
<th>2016 Req vs. 2015 Budget Approved Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>By Service</strong></td>
<td>$</td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td><strong>Zoo Visitor Services</strong></td>
<td></td>
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</tr>
<tr>
<td>Gross Expenditures</td>
<td>29,872.3</td>
<td>30,573.8</td>
<td>701.5</td>
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<td>Revenue</td>
<td>35,288.0</td>
<td>35,838.2</td>
<td>550.2</td>
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<td><strong>Net Expenditures</strong></td>
<td>(5,415.7)</td>
<td>(5,264.4)</td>
<td>151.3</td>
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<tr>
<td><strong>Zoo Fundraising &amp; Strategic Partnerships</strong></td>
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<tr>
<td>Gross Expenditures</td>
<td>2,890.7</td>
<td>2,913.9</td>
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<tr>
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<td>2,467.6</td>
<td>2,467.6</td>
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<tr>
<td><strong>Net Expenditures</strong></td>
<td>423.1</td>
<td>446.3</td>
<td>23.2</td>
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<td><strong>Zoo Conservation &amp; Science</strong></td>
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<td>Gross Expenditures</td>
<td>17,799.9</td>
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<td><strong>Net Expenditures</strong></td>
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<td>16,985.6</td>
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<td>Gross Expenditures</td>
<td>50,562.9</td>
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<td>1,009.9</td>
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<td>Revenue</td>
<td>38,855.1</td>
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<td>550.2</td>
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<td><strong>Total Net Expenditures</strong></td>
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<td>12,167.5</td>
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<td><strong>Approved Positions</strong></td>
<td>402.5</td>
<td>394.0</td>
<td>(8.5)</td>
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</table>
## 2016 PERFORMANCE MEASURES

### Attendance

<table>
<thead>
<tr>
<th>Year</th>
<th>2012 Actual</th>
<th>2013 Actual</th>
<th>2014 Actual</th>
<th>2015 Target</th>
<th>2016 Target</th>
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</thead>
<tbody>
<tr>
<td>Attendance</td>
<td>1,286,673</td>
<td>1,462,910</td>
<td>1,186,019</td>
<td>1,400,000</td>
<td>1,325,000</td>
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### Memberships

<table>
<thead>
<tr>
<th>Year</th>
<th>2012 Actual</th>
<th>2013 Actual</th>
<th>2014 Actual</th>
<th>2015 Target</th>
<th>2016 Target</th>
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</thead>
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<tr>
<td>Memberships</td>
<td>31,919</td>
<td>31,355</td>
<td>25,466</td>
<td>32,000</td>
<td>30,000</td>
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</table>
TORONTO ZOO
2016 PERFORMANCE MEASURES

Food Sales per Visitor

<table>
<thead>
<tr>
<th></th>
<th>2012 Actual</th>
<th>2013 Actual</th>
<th>2014 Actual</th>
<th>2015 Target</th>
<th>2016 Target</th>
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</thead>
<tbody>
<tr>
<td>Food Sales per Visitor</td>
<td>4.70</td>
<td>5.24</td>
<td>5.10</td>
<td>4.36</td>
<td>5.57</td>
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Retail Sales per Visitor

<table>
<thead>
<tr>
<th></th>
<th>2012 Actual</th>
<th>2013 Actual</th>
<th>2014 Actual</th>
<th>2015 Target</th>
<th>2016 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales per Visitor</td>
<td>2.01</td>
<td>2.76</td>
<td>2.16</td>
<td>2.34</td>
<td>2.20</td>
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<tr>
<td>Category</td>
<td>Exempt Perm</td>
<td>Non-Perm</td>
<td>Total</td>
<td></td>
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<tr>
<td>----------------------------------</td>
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<tr>
<td><strong>2015 Year-end</strong></td>
<td></td>
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<tr>
<td>Exempt</td>
<td>86.0</td>
<td>10.0</td>
<td>96.0</td>
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<tr>
<td>Unionized</td>
<td>192.0</td>
<td>10.0</td>
<td>202.0</td>
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<tr>
<td>Total</td>
<td>278.0</td>
<td>20.0</td>
<td>298.0</td>
<td></td>
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<tr>
<td><strong>2016 Year-end</strong></td>
<td></td>
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</tr>
<tr>
<td>Exempt</td>
<td>86.0</td>
<td>10.0</td>
<td>96.0</td>
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<tr>
<td>Unionized</td>
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<td>278.0</td>
<td>20.0</td>
<td>298.0</td>
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</tbody>
</table>

**Zoo Conservation & Science**
- Exempt-Perm 3

**Wildlife Care**
- Exempt-Perm 7
- Union-Perm 11
- Non-Perm 12.2

**Wildlife Health**
- Exempt-Perm 4
- Union-Perm 6
- Non-Perm 1.2

**Nutrition**
- Exempt-Perm 1
- Union-Perm 6
- Non-Perm 1.3

**Curatorial & Research**
- Exempt-Perm 6
- Union-Perm 7
- Non-Perm 6

**Education & Volunteers**
- Exempt-Perm 4
- Union-Perm 4
- Non-Perm 10.9

**Allocation of GM, HR, Financial Services and IT**
- Exempt-Perm 5.5
- Union-Perm 2.2
- Non-Perm 0.3

**Member & Guest Services**
- Exempt-Perm 2
- Union-Perm 5
- Non-Perm 17.1

**Retail & Rides**
- Exempt-Perm 3
- Union-Perm 1
- Non-Perm 28

**Marketing**
- Exempt-Perm 4
- Union-Perm 3
- Non-Perm 3.1

**Public Relations & Events**
- Exempt-Perm 2
- Union-Perm 2.5

**Allocation of GM, HR, Financial Services and IT**
- Exempt-Perm 10.5
- Union-Perm 4.8
- Non-Perm 0.6

**Development**
- Exempt-Perm 4
- Union-Perm 4
- Non-Perm 0.7

**Business Development**
- Non-Perm 1.0

**Allocation of GM, HR, Financial Services and IT**
- Exempt-Perm 1.0
- Union-Perm 0.5
- Non-Perm 0.1

**Facilities & Services**
- Exempt-Perm 6
- Union-Perm 34
- Non-Perm 6.1

**Project Management**
- Exempt-Perm 2
- Union-Perm 3
- Non-Perm 1.7

**Horticulture**
- Exempt-Perm 4
- Union-Perm 29
- Non-Perm 19.0