

The New Zoo in Elk Grove

Business Plan Update – March 11, 2024



SACRAMENTO ZOO



Table of Contents: Business Plan Update – March 2024

1.	Introduction.....	1
	▪ RS&S Scope.....	1
	▪ Overview of Project.....	2
2.	Strategic Business Plan.....	4
	▪ Value Proposition.....	4
	▪ Attendance Projections.....	5
	▪ Admission Pricing Projections.....	7
	▪ Operating Revenues and Expenses – Pro Forma Projections.....	9
3.	Funding Strategies.....	13
	▪ Capital Assessment.....	13
	▪ Risk Assessment of the Updated Operating Projections.....	13
	▪ Sustainable Funding Opportunities.....	15

1. INTRODUCTION

Relevant Strategies and Solutions (RS&S) is pleased to provide a business plan update as a supplement to the feasibility study completed in 2022 for the new Zoo in Elk Grove. The purpose of this business plan update is to provide relevant attendance, admissions, and pro forma operating projections based on current value propositions and pricing/revenue strategies, as well as a staffing plan.

The truly once-in-a-lifetime opportunity of building a new zoo has been realized through a combination of visionary leadership, executive commitment, knowledgeable input from zoo experts, and support from donors and friends. We are confident that the new Zoo in Elk Grove will incorporate best-in-class thinking, design, and practices to create unparalleled animal and visitor experiences.

The first phase of the new Zoo in Elk Grove (inclusive of Phases 1A and 1B as more fully described below) will achieve the following:

- For the animals – spacious, naturalistic, dynamic, and invigorating habitats and state-of-the-art animal care facilities;
- For the visitors – fresh, new, fully engaging, up-close-and-personal experiences facilitated by the latest design and technology and complemented by high-quality refreshment and dining/lodging options; and
- For the Elk Grove community – a world-class zoo that will delight Elk Grove residents, support student learning, promote conservation and environmental awareness, contribute to the tax base, boost regional economic development, attract broad-based tourist interest, and enhance Elk Grove’s standing as a highly desirable regional destination.

This initiative highlights the vision and ingenuity of the Board of the Sacramento Zoological Society and the City’s leadership team. This study was developed through and with their keen interest and collegial collaboration. The project would not be possible without the strong and capable leadership of both the Society and the City. We thank the Society and the City for their support.

RS&S Scope of Work

RS&S was engaged by the Sacramento Zoological Society to work with its Elk Grove feasibility planning team to provide a business plan update to the 2022 Feasibility Study for the new Zoo in Elk Grove now that the leadership teams have agreed to the Phase One facility concept plans and the corresponding facility investments in site improvements, infrastructure, animal habitats and guest amenities. The Vision Plan created in 2022 remains relevant and applicable in representing the overall direction, plans, and goals for the new Zoo.

The update to the 2022 feasibility study focuses specifically on the following core elements:

- Reaffirming attendance projections;
- Updating financial operating projections and planning assumptions including source & use projections, updating pricing, revenue and funding strategies;
- Defining the public/private funding model and opportunities to support the facility investments; and
- Identifying key Funding Strategies to be implemented between May 2024 and the projected opening date (Spring 2029) to ensure the Zoo's financial and operating viability and sustainability.

Through the course of this work, our goal was to ensure that all of the planning steps integrated with each other so that the leadership of the City and the Society are empowered with a compelling vision, meaningful data, clear messaging, and actionable next steps to continue to move this once-in-a-lifetime opportunity forward.

Overview of Project

This Business Plan Update addresses the operating needs for Phases 1A and 1B of the proposed New Zoo in Elk Grove.

A Financing Plan created by the City of Elk Grove for Phases 1A and 1B of this project outlines the cost of constructing the on and off-site improvements, including soft and hard costs, and identifies various funding sources to meet these costs. Within the Financing Plan, various funding sources were identified as the responsibility of the City, the Sacramento Zoological Society, other agencies through their existing impact fee programs, and various donors or regional collaborations. The Financing Plan did not seek to specifically identify the donors or regional collaborations, but rather identified the Project needs. As discussed in the Financing Plan, various stages of the Project cannot move forward until the non-City funding sources have been secured. Financing for the later phases will require preparing other finance plans as applicable. The Financing Plan also did not address the annual maintenance obligations for the operation of the New Zoo once constructed. According to the feasibility study, the New Zoo would not require an operating subsidy. The annual maintenance and operational costs will be the sole responsibility of the Zoological Society.

Phase 1 of the Project, which is divided into four broad phases, includes construction of the Green Corridor and Africa. However, specific animal habitats within these zones may be phased depending on project funding. Phase 1A would include the base Zoo footprint, and Phase 1B would consist of additional zoological features as detailed in the Project Plans.

Focus of Phases 1A and 1B

Phases 1A and 1B involve the development of the core Project facilities, including the entry complex, the animal care and nutrition center, major guest services and amenities (dining complexes), and landmark species, including giraffe, okapi, gelada, lion, and cheetah. It also includes the construction of the necessary offsite infrastructure to serve the Project, including the extension of

roadways, water, sewer, and dry utilities, parking facilities, and pedestrian and bicycle facilities. Details on the elements of Phases 1A and 1B are available in the Project plans.

The approach for Phases 1A and 1B is similar to that described in the 2022 Feasibility Study. However, the Feasibility Study did not address the offsite infrastructure necessary to serve the site, nor did it include all the planned guest amenities and support services for the Project.

2. STRATEGIC BUSINESS PLAN

RS&S developed the updated attendance, pro forma financial projections, and staffing plan to support Phases 1A and 1B of the vision/concept plan for the new Zoo utilizing the Zoo's historical data from its operations at Land Park and RS&S's experience in creating sustainable and viable business plans for over 100 AZA clients over the years. We also carefully considered the value proposition in terms of the complete experience and benefits enjoyed by guests relative to the cost of admission as detailed below.

Value Proposition

The new Zoo will employ a multifaceted strategy aimed at balancing price value with overall attendance. One key element of this strategy is implementing a pricing model that incorporates parking into the general admission fees. By eliminating a separate parking fee system and instead building parking into the admission ticket price, the new Zoo increases the overall value of the ticket purchase for the visitor and simplifies and streamlines the visitors' arrival and exit experiences.

Moreover, the introduction of immersive exhibits, interactive experiences and entertainment features such as live music, further enhances the value proposition for visitors. These elements enrich the visitor experience and attract a broader audience demographic, thereby sustaining attendance and creating repeat visits. The added features, amenities, and experiences also impact visitor stay time, with projected increases in average visitor stay time extending from the current 1.5 hours at the existing Land Park site to at least 2.5 hours at the new Elk Grove site. The launch phase of the new Zoo is expected to result in an initial surge in visitor volume due to the novelty of these offerings, which will settle into a sustained and steady flow of visitors over time.

It is essential to strike the right balance between price value and attendance. A careful analysis of market dynamics, competitor pricing, and visitor feedback informed the pricing decisions aimed at maximizing revenue while maintaining accessibility.

Ultimately, the success of the new Zoo hinges on its ability to deliver compelling experiences that justify the ticket price while attracting and retaining visitors. By prioritizing value-added offerings and carefully calibrating pricing strategies, the new Zoo can achieve sustainable growth in attendance, meeting its operating revenue needs and ensuring its continued relevance and impact within the community.

The average opening-year ticket price (five years out from now utilizing a dynamic pricing strategy) is projected to be \$39 for adults, \$36 for seniors, and \$30 for children. This pricing strategy reflects the added value of the new Zoo experiences and aligns with industry standards and inflationary pressures. It also ensures that the new Zoo remains economically sustainable while continuing to deliver enriching experiences for visitors of all ages.

Attendance Projections

Table 1 below details attendance projections for Phase 1 investments for the first five years of operation beginning in 2029. Assuming an annual baseline of 850,000 (representing an increase of ~63% increase over Land Park's 2024 attendance), opening year attendance is projected at 935,000, a 10% increase over the baseline. Year 2 is projected at 900,000 and Year 3 at 875,000 until attendance settles in at the baseline projections in Years 4 and 5. We remain confident that the new Zoo can exceed these projections, but proceed conservatively given that the projected opening is over 5 years into the future.

These projections are based on the following key business planning assumptions:

- Annual attendance distribution will be similar to the Land Park Site: key allocations - 29% paid adults and 26% member visits.
- The business plan and attendance projections assume that Phase 1 of the vision/concept plan is fulfilled, plus an additional 10 acres for free parking. The Zoo will manage the parking lots with digital signage easing the parking transition for all guests and members.
- The vision/concept plan is implemented with high-quality animal exhibits and visitor amenities/experiences reflective of the City of Elk Grove's high standards for community projects that add value and enhance the quality of life for the residents of and visitors to the Elk Grove area.
- With a larger Zoo, expanded animal exhibits, increases in the number of animals, and adjacent parking, we believe the annual attendance projections are conservative, especially considering annual attendance of zoos in similar MSA communities and the high level of interest in and excitement about the new Zoo opening.
- We anticipate the Zoo will have approximately 24,000 household members upon opening of Phase 1 in 2029 (presold in 2028/2029) – up from the current 13,500 household members in 2024 at Land Park. Of the 24,000 household members, we anticipate that approximately 8,400 households will be Elk Grove members – which would represent appropriately 35% of the total household members. Members who reside outside of Elk Grove would comprise 15,600 households.
 - We would anticipate that Elk Grove residents would receive a 20% discount on the annual cost of a Zoo membership – similar to the discounts that residents receive for other community amenities on the respective facility's annual pass program.
 - Members, with an average family size of 4, will visit on average 2.7 times a year – higher in the initial years due to the appeal of the new Zoo, adding value to the Zoo's membership program.

- Average annual membership fees for individuals would range from \$90 - \$112 and for families from \$180 - \$225 in year 1 of the new Zoo.
- Total visitation assumes dynamic evening/events programs utilizing the compelling restaurant and event space that will overlook the new Savannah and that would be located near the main entry.

Table 1 – Attendance Projections: Phase 1 Investments

				Pro Forma				
	2019 Baseline	2024 Forecast	% Distribution	Year 1	Year 2	Year 3	Year 4	Year 5
Adults	145,742	197,261	28.7%	268,019	257,986	250,820	243,654	243,654
Seniors	8,516	11,773	1.7%	15,661	15,075	14,656	14,237	14,237
Child	102,789	124,928	20.2%	189,029	181,953	176,899	171,844	171,844
Schools & Groups	51,234	15,773	10.1%	94,219	90,692	88,173	85,654	85,654
Members	132,192	120,928	26.0%	243,101	234,001	227,501	221,001	221,001
Under 2	51,434	52,577	10.1%	94,587	91,046	88,517	85,988	85,988
Free	16,522	2,533	3.2%	30,384	29,247	28,434	27,622	27,622
Total Attendance	508,429	525,773	100.0%	935,000	900,000	875,000	850,000	850,000
% Increase from 2019		3.4%		184%	177%	172%	167%	167%

Note: the allocation of the new Zoo’s annual attendance is consistent with the current allocation in 2024. The growth of visitation is supported by “the new” Zoo experience and habitats; adjacent free parking; ease of access from major highways and the City of Elk Grove; day/night visitation and experiences; and high-quality guest experiences that create a “repeat visit.”

Admission Pricing Projections

Like its current admission policy at Land Park, the new Zoo will continue to manage its admission fees via a dynamic pricing structure. A dynamic pricing structure offers the Zoo flexibility and control based on varying factors such as season, day of week, capacity, visitor demand, exhibit openings, and shifts in day/night experiences. It enables, encourages, and incentivizes advance planning through online ticket purchases which provides ease of access and budgeting for visitors and allows for efficient staffing and operations for the Zoo.

The average first year admission fees with dynamic pricing will be as follows:

- Adult \$39
- Senior \$36
- Child \$30
- School groups \$15

Table 2 summarizes the suggested recommended admission fee ranges and pricing thresholds.

Table 2 - Projected Admission Fees

Admissions Rates	Proposed Range of Rates for Year 1			5% Increase	
	Low	High	Average	Years 1 - 2	Years 3 - 5
Adults	\$36	\$42	\$39	\$39	\$41
Seniors	\$33	\$39	\$36	\$36	\$38
Child	\$28	\$32	\$30	\$30	\$32
Schools & Groups	\$15	\$15	\$15	\$15	\$16
Members					
Under 2					
Free					

Notes on Table 2:

- Dynamic pricing will be utilized for all revenue venues through a fully integrated technology platform that can “bundle” fees for admission, experiences, and food/retail.

- Year 1 ranges reflect projected dynamic pricing based on the anticipated pricing thresholds and the value proposition as detailed earlier which includes:
 - a highly programmed guest experience with unique interactions, experiences (back-of-house, giraffe, rhino, okapi, among others), and engagements with high-quality guest amenities, increasing the average guest stay time to 2.5 hours from 1.5 hours currently at Land Park
 - Other value proposition considerations:
 - The additional exhibits, amenities, and experiences at Elk Grove, compared to Land Park
 - Free (included with admission) and easily accessible parking whereas no available parking at Land Park
 - An increase in the number of animals with larger, often mixed-species habitats.
 - The “new” factor – Elk Grove will be the first completely new major public zoo built in the United States since 1988
 - An exciting roster offering seasonal day/night guest and animal experiences that will attract new audiences
- Year 1 pricing is consistent with the current dynamic pricing thresholds at Land Park for adults taking into consideration industry standards, inflationary pressures (\$2-3 annually), and the added value of the new Zoo experience.
- Year 1 pricing is also consistent with average ranges of similar AZA-accredited MSA zoos and in relation to other Sacramento cultural attractions.
- Average admission pricing is projected to increase in year 3 as fees are adjusted to reflect inflation and standard increases.

Operating Revenue & Expenses – Updated Pro Forma Projections

RS&S developed the five-year financial operating projections utilizing the vision/concept plan, site plan, and attendance/pricing projections and assumptions summarized above. We believe that the projections reflect a conservative planning approach. There are a number of key underlying financial assumptions that support the pro forma projections found in **Table 3** and reflect the first 5 years of operations:

- All 2029 dollars with full-year operations – in reality, first calendar year (2029) is a partial year with spring opening anticipated.
- No capex investments are programmed in the initial five years beyond Phases 1A and 1B – although future phases could be funded and programmed, they are not “planned or anticipated” to be open in the initial five years.
- No annual operating support from the City of Elk Grove is programmed.
- The five-year projections identify a viable and sustainable financial model with annual net operating income projections that range from 7.6 of total operating revenues in year 1 to 3.4% in year 5.
- Visitor per capita spending will increase by 30% over the 2022 per cap with new and expanded food, dining, and retail venues. It is anticipated that the Society will continue its long-term relationship with the Zoo’s current food, retail and catering partner, to manage and operate the new Zoo’s food, catering, and retail venues.
- Salaries and benefits reflect approximately 55% of the Zoo’s operating expenses in Year 1 – within the AZA industry benchmark for large AZA institutions with similar management models.
- Total non-payroll operating expenses are projected in Year 1 at \$7.1MM as compared to the 2024 non-payroll allocation of \$3.1MM.
- The pro forma projections include a Capital Reinvestment allocation that could be utilized in part as a direct debt service allocation that would be paid to the City of Elk Grove to support the Zoo’s capex investment of Phases 1A and 1B. In addition, annually this allocation supports maintenance and repair allocation of at least \$2MM annually.
- All expenses, except capital re-investments, have annual 3% increases programmed – historically an industry benchmark assumption.
- The pro forma projections generate an annual operating reserve that ranges from 3.4% to 7.6% of total operating revenues. Such reserves, again from conservative revenue and expense projections, could be utilized in whole or combination of funding options to further reinvest in the Zoo, support a “rainy day” fund, build additional awareness, and/or fund additional guest experience initiatives.

Additional notes on the pro forma projections can be found after **Table 3**.

Table 3 – Pro Forma Operating Revenue & Expense Projections

	Current Budget	Pro Forma				
	2024	Year 1	Year 2	Year 3	Year 4	Year 5
Total Attendance	520871	935,000	900,000	875,000	850,000	850,000
	520,871					
Gen. Adm. Ticket Price	Dynamic (\$14-\$30)	\$36/\$42	\$36/\$42	\$36/\$42	\$36/\$42	\$36/\$42
Operating Revenue:						
Administration- Commission	\$ 1,065,000	1,916,750	1,845,000	1,793,750	1,742,500	1,742,500
Admin - Interest Income	\$ 60,000	60,000	61,200	62,424	63,672	64,946
Development	\$ 377,000	550,000	622,875	705,406	798,872	904,723
Education	\$ 460,000	650,000	675,000	675,000	750,666	750,666
Admissions (net of conservation)	\$ 6,389,511	17,950,569	17,278,623	17,645,619	17,141,458	17,141,458
Membership	\$ 2,150,500	3,766,500	3,766,500	4,073,470	4,236,409	4,670,640
Vending Commission	\$ 25,000	44,877	43,197	41,997	40,797	40,797
Rides/Encounters	\$ 610,400	1,095,711	1,054,695	1,025,398	996,101	996,101
Events/Group Sales	\$ 330,000	997,500	964,250	964,250	955,273	943,662
Total Operating Revenue	\$ 11,465,377	27,031,907	26,311,340	26,987,313	26,725,748	27,255,493
Operating Expenses:						
Administration	\$ 1,271,143	2,433,375	2,499,495	2,567,461	2,637,326	2,709,143
Animal Care	\$ 2,720,305	4,968,675	5,108,722	5,252,791	5,400,997	5,553,463
Development/Marketing	\$ 1,083,722	2,594,700	2,684,251	2,779,491	2,881,016	2,989,499
Education	\$ 728,924	759,750	783,939	802,316	840,453	859,950
Facilities and Utilities	\$ 1,435,848	3,814,125	3,909,924	4,008,224	4,109,093	4,212,601
Guest Service	\$ 2,265,169	3,924,221	3,430,054	3,526,824	3,626,375	3,728,787
Veterinary	\$ 658,492	1,203,035	1,236,263	1,270,431	1,305,566	1,341,695
Capital Reinvestment	\$ 6,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Events/Group Sales	\$ 93,500	488,645	470,354	457,289	444,223	444,223
Total Operating Expense	\$ 10,263,103	24,986,526	24,923,002	25,464,827	26,045,049	26,639,360
Net Operating Income	\$ 1,202,274	2,045,381	1,388,338	1,522,487	680,699	616,132

Additional Notes from Table 3:

- Admissions reflect the dynamic pricing structure with compelling value proposition.
- Parking is included in the price of admission.
- Membership fees reflect a baseline of 24,000 household members.
- Commissions assumes a \$10/per cap with a blended 20.5% commission payment; catering commission is included in Events/Group Sales.
- Rides & Encounters: ride per cap aligns with current (2024) allocation with higher visitation – includes additional back-of-house and animal engagements such as giraffe and rhino fee-based experiences, as well as VIP tours of the African Savannah.
- Animal Care – 100% increase over current baseline (2024) – proportional relative to animal and acreage increases.
- Marketing: ~\$1.1MM in direct marketing/advertising/entertainment value (6.1% of total gross admission revenues), increasing from \$124,000 in 2024. The Zoo will integrate with Elk Grove marketing initiatives to further leverage awareness and impacts. This investment level allows for expanded advertising reach across multiple channels, including print, radio, and television, and targeted promotional strategies to attract diverse audience segments. Furthermore, it facilitates the cultivation of strategic partnerships with tourism-related brands like Visit California, Expedia, Southwest Airlines, and Hilton, leveraging their reach to drive visitors and bolster brand recognition.
- Annual Fund/Development: operational programs are in alignment with current baseline with higher visitation and with continued focus on raising capex dollars that are not reflected in the pro forma projections.
- Utilities: ~\$1.1MM annually – 4.5% of total operating expenses; in alignment with Fresno as % of total operating expenses and total dollar allocation in 2024; The new Zoo will have less “water” exhibits than Fresno. Current Zoo utilities in 2024 is \$400,000.
- Bank Fees: ~approximately \$450K in total annually allocated, although the overall cost should decline with electronic payments in the future.
- No UCD operating grants – assumes that the Zoo funds all Vet salaries (~\$250,000 annually) with no offsets from UCD.
- Software allocations for admissions are included (\$165K) in baseline for Guest Services – could be reallocated with outsourcing.

Table 4 - Projected Staffing Plan for Phase 1A & 1B

Table 4 below details the projected Staffing Plan for Phase 1A and 1B – all requested positions including technology.

	2024 Budget		Pro Forma									
			Year 1		Year 2		Year 3		Year 4		Year 5	
	FTE	Salary & Benefits	FTE	Salary & Benefits	FTE	Salary & Benefits	FTE	Salary & Benefits	FTE	Salary & Benefits	FTE	Salary & Benefits
Administration	5	\$ 811,244	8	\$ 1,745,250	8	\$ 1,797,608	8	\$ 1,851,536	8	\$ 1,907,082	8	\$ 1,964,294
Animal Care	31	\$ 2,266,863	49	\$ 4,067,375	49	\$ 4,189,396	49	\$ 4,315,078	49	\$ 4,444,530	49	\$ 4,577,866
Education	8	\$ 624,629	11	\$ 594,750	11	\$ 612,593	11	\$ 630,970	11	\$ 649,899	11	\$ 669,396
Facilities	9	\$ 692,488	15	\$ 1,951,625	15	\$ 2,010,174	15	\$ 2,070,479	31	\$ 2,132,593	28	\$ 2,196,571
Marketing/PR/IAM, Dev	5	\$ 761,445	7	\$ 1,066,000	7	\$ 1,097,980	7	\$ 1,130,919	7	\$ 1,164,847	7	\$ 1,199,792
Front/Guest Services/Member	14	\$ 836,677	14	\$ 1,030,250	14	\$ 1,061,158	14	\$ 1,092,992	14	\$ 1,125,782	14	\$ 1,159,555
Guest Svcs- Safety, Ops, Rides	19	\$ 961,808	26	\$ 1,704,625	26	\$ 1,755,764	26	\$ 1,808,437	26	\$ 1,862,690	26	\$ 1,918,570
Veterinary	3	\$ 247,295	9	\$ 916,760	9	\$ 944,263	9	\$ 972,591	9	\$ 1,001,768	9	\$ 1,031,821
Total	94	\$ 7,202,449	139	\$ 13,076,635	139	\$ 13,468,934	139	\$ 13,873,002	139	\$ 14,289,192	139	\$ 14,717,868
Contingency				\$ 915,347		\$ 915,347		\$ 933,654		\$ 933,654		\$ 933,654
Total	94	\$ 7,202,449	139	\$ 13,991,982	139	\$ 14,384,281	139	\$ 14,806,656	139	\$ 15,222,846	139	\$ 15,651,522
Average Cost Per FTE		\$ 76,622		\$ 100,804		\$ 103,630		\$ 106,673		\$ 109,671		\$ 112,760
Annual Pay Rate increase						3%		3%		3%		3%

Notes from Table 4:

- Departments are stable year/year except for facilities, which will decline in years 4 and 5 due to operational efficiency of systems and procedures.
- Average cost per FTE remains constant with annual increases in benefits and inflationary salary increases from 2024 to 2029.
- Wages adjustments to reflect 2024 position benchmarks.
- 7% total salary contingency annually.
- 30% benefit rate applied to total wages.
- No additional positions for first five years.
- Zoo manages all current Zoo functions except for food, retail, and catering services.

3. FUNDING STRATEGIES

Capital Investment

The Society is fully committed to securing capital investment (capex) pledges, gifts, and donations of a minimum of \$50MM in support of the total capex investment for Phases 1A and 1B as outlined above. The Society recognizes that the \$50MM in capex funding will most likely be paid out over an average of five to seven years, understanding that some gifts may be paid out over a shorter time period. The Society will work to identify the cash flow requirements of these capex investments once the actual donations are better known and identified beyond the May 8, 2024 project approval date. As the Society has indicated over the past months, a number of potential donors/pledges are seeking the approval of the new Zoo project moving forward (May 8, 2024) prior to fully committing to the Zoo’s capex requests.

The Society will seek to identify incremental funding to support the source and use of the Society’s capex investments with the construction fund needs and any potential short-term borrowings that could be pledged against the outstanding pledge commitments.

The Society anticipates that the \$50MM capex investments would come from the following sources:

- Society Reserves/Resources 15% - 20%
 - Partner Commitments 20%
 - Naming Rights 20% - 40%
 - Private Support * 25% - 40%
- (*from Individuals, Corporations, Foundations, Others)

Naming rights represent an extraordinary opportunity for the new Zoo to engage individual and corporate involvement in this funding initiative. With the potential to raise significant support for the Zoo, securing a naming sponsor[s] would also succeed in generating enthusiasm, increasing awareness, and building confidence among the philanthropic community in the value and importance of the project. Naming rights, whether for the Zoo itself, an exhibit, or an amenity, could present a very attractive option for certain donors.

Risk Assessment of the Updated Operating Projections

The updated (March 2024) Operating Projections reflect a conservative planning approach with an annual attendance (visitation) baseline of 850,000 guests in year 1 – projected to be five years from today (2029). In the initial two operating years, annual attendance is anticipated to be 5% - 10% higher than the baseline due to the celebration and awareness of opening the new Zoo.

At an annual attendance baseline of 850,000 visitors, the new Zoo offers a high-quality, high-value guest experience with compelling, fun, and engaging animal habitats, experiences, and programs. In addition, the Zoo has allocated its operating expenses (staffing, marketing, animal care, facilities, and guest services) to support the high-quality, high-value experience with expense contingencies AND annually generating operating reserves from its operations.

- **Attendance:** low risk as the baseline is significantly below the current (2024) annual attendance of the Fresno Zoo (1MM visitors) within a smaller MSA market than Sacramento. The projected attendance assumes that paid adults, seniors, and children represent ~ 50% of the total visitors – consistent with the Zoo’s current (2024) visitor distribution.
- **Admission Per Caps:** low-to-mid-risk as we anticipate that per capita admissions will increase from \$12.28 (2024) to \$19.19 in year 1 – a \$6.91 per cap dollar increase. ~\$1.47 of this increase can be attributed to the cost of parking that will be included in the general admission fees for each category. The additional projected increase is the result of the higher dynamic pricing structure for the adult, senior, and child fees over their current baseline in 2024.
 - As a worst-case scenario, if per capita spending was impacted by \$4 per visitor – total of \$3.75MM in operating revenues, the Zoo would be able to offset these revenues through the realignment of salaries & benefits (\$1.5MM), capital reinvestment (\$1.3MM), marketing (\$500,000), and its operating reserves that range from 3.3% to 7.6% of total operating revenues in any one year.
 - If annual attendance increases above the baseline of 850,000 visitors, the Zoo would generate an additional \$1MM+ in flow-thru operating dollars (with relatively low additional operating expenses).
- **Membership Fees:** low-risk – conservatively assumed over 24,000 household members in year 1 – an increase from 13,500 households in 2024. The opportunity to join the “new Zoo” with a strong value proposition will support the increase in household members.
- **Rides/Experiences:** low-risk – we have assumed the same per capita spending (\$1.17) in year 1 as currently fulfilled at the current Zoo in 2024 – revenue increase is reflective of the higher visitation while offering additional experiences and engagements above the current level at the Zoo in 2024.
- **Commissions from Partner:** low-risk as programmed at a blended 20.5% of gross operating revenues for food, retail, and catering dollars.
- **Staffing & Benefits:** low-risk as contingencies (7%) of total salaries and FTEs reflect full-time positions, recognizing that part-time/seasonal positions may be utilized. Animal and Facilities are fully staffed to support Phases 1A and 1B. Benefit allocation of 30% for all salaries and assumes all full-time positions.

- **Direct Debt Service Allocation:** low-risk as generated through operating funds and allocation could be lower with interest rate reductions, lower capex investments, and/or higher private/partner capex contributions. Need to identify “what if” scenarios with City leadership. Allocation included in the Capital Reinvestment budget.
- **Marketing:** low-mid risk as a double-edge as the Zoo needs to invest in building its awareness and brand while providing engaging animal and entertainment value. Potential savings in future years and could be lower if fully integrated with the City of Elk Grove’s marketing, branding, and awareness initiatives.
- **Utilities:** low-mid risk as current annual allocation is \$1.1MM – lower utilization could be plus; higher usage rates a negative. Projected allocation is 4.4% of the Zoo’s total operating expenses – compared to 3% at the Fresno Zoo which has more acreage and more demand to support its water filtration needs.

Sustainable Funding Opportunities

Below we have identified a few sustainable funding opportunities that have the potential to generate significant ongoing resources for the new Zoo from diverse sources:

- **Pursue Naming Rights Sponsorship Opportunities**
 - Strategy to raise more capex dollars
 - Significant source of untapped resources
- **Bond the Society’s Capex “Gaps” as part of the City’s total package**
 - Increases Zoo “direct debt service payment”
 - Creates an “alternative funding” opportunity to “bridge pledges” and any additional or future funding needs
- **Fully Promote and Invest in the Society’s Planned Giving and Operating Endowment Initiatives**
 - Incorporate as part of the potential donor package with all funding commitments
 - Adds additional “rainy day” funds to support the Zoo’s operations and future phase capex investments

Once Phase 1A and 1B are designed and the construction timeline better defined (therefore, an opening date is set), a new Zoo “start-up/working capital” budget projection should be created, including resources for staffing and marketing/branding/awareness. The start-up budget would outline the impacts of opening a “preview” concept.