



CITY OF
**PALO
ALTO**

FINANCE COMMITTEE
Tuesday, September 6, 2022
Special Meeting
Community Meeting Room & Virtual
5:30 PM

Pursuant to [AB 361](#) Palo Alto City Council and Committee meetings will be held as “hybrid” meetings with the option to attend by teleconference/video conference or in person. To maximize public safety while still maintaining transparency and public access, members of the public can choose to participate from home or attend in person. Information on how the public may observe and participate in the meeting is located at the end of the agenda.

HOW TO PARTICIPATE

VIRTUAL PARTICIPATION

[CLICK HERE TO JOIN](https://cityofpaloalto.zoom.us/j/99227307235) (<https://cityofpaloalto.zoom.us/j/99227307235>)
Meeting ID: 992 2730 7235 Phone:1(669)900-6833

The meeting will be broadcast on Cable TV Channel 26, live on YouTube at <https://www.youtube.com/c/cityofpaloalto>, and streamed to Midpen Media Center at <https://midpenmedia.org>.

PUBLIC COMMENTS

Public Comments will be accepted both in person and via Zoom meeting. All requests to speak will be taken until 5 minutes after the staff’s presentation. Written public comments can be submitted in advance to city.council@cityofpaloalto.org and will be provided to the Committee and available for inspection on the City’s website. Please clearly indicate which agenda item you are referencing in your email subject line.

CALL TO ORDER

ORAL COMMUNICATIONS

Members of the public may speak to any item NOT on the agenda.

ACTION ITEMS

1. Review the FY 2022 Junior Museum and Zoo Update, Including Scenarios for a Fully Cost Recoverable Program

Presentation

FUTURE MEETINGS AND AGENDAS

ADJOURNMENT

PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to hybrid meetings via email, in person, teleconference, or by phone.

1. **Written public comments** may be submitted by email to city.council@cityofpaloalto.org.
2. **In person public comments** please complete a speaker request card located on the table at the entrance to the Council Chambers, and deliver it to the City Clerk prior to discussion of the item.
3. **Spoken public comments using a computer or smart phone** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
 - You may download the Zoom client or connect to the meeting in- browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer. Or download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below
 - You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
 - When you wish to speak on an Agenda Item, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
 - When called, please limit your remarks to the time limit allotted.
 - A timer will be shown on the computer to help keep track of your comments.
4. **Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit *9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

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City of Palo Alto

Finance Committee Staff Report

(ID # 14584)

Meeting Date: 9/6/2022

Report Type: Action Items

Title: Review the FY 2022 Junior Museum and Zoo Update, Including Scenarios for a Fully Cost Recoverable Program

From: City Manager

Lead Department: Community Services

Recommendation

Staff recommends that the Finance Committee review the Junior Museum and Zoo after six months of operations and scenarios for a fully cost recoverable program, as referred by the City Council.

Background

Founded in 1934, the Palo Alto Junior Museum and Zoo (JMZ) is dedicated to enriching the lives of children, ages 0 to 11, through hands-on exploration of the world. Specifically, the mission is to engage a child's curiosity for science and nature. This mission is furthered through a variety of exhibits, a diverse community of live animals, and educational programs for children, families and schools. About a decade ago, the Friends of the Junior Museum and Zoo (Friends) launched the JMZ Initiative – a \$25 million campaign to rebuild the outdated JMZ facility in recognition that the existing structures were not adequately sized nor designed to 1) accommodate the JMZ's vibrant exhibits, expanded educational programs, current accessibility and seismic code requirements, and 2) to meet best-practices in modern animal care and collection management. The Friends met their fundraising goal of \$25 million and the City invested the remaining \$8 million.

Construction of the new facility began in July 2018 with an intended reopening in October 2020 as a larger facility with more animals and exhibits, however; due to the ongoing pandemic the opening was delayed. Previously a free institution, the new JMZ would charge an entrance fee and offer membership options and discounts. Background on development of the fee structure is described below. On November 12, 2021 the Palo Alto Junior Museum and Zoo reopened initially on a reduced schedule.

Guests are required to purchase tickets in advance and make reservations for either a morning or afternoon session and total reservations are limited for each session to ensure space for social distancing. Some walk-up tickets are available for purchase. The JMZ closes between sessions to clean high-touch surfaces.

Development of Fee Structure

Staff presented a preliminary operating plan for the new JMZ to the Finance Committee on March 3, 2020, notably at the onset of the COVID-19 pandemic ([Staff Report 11093](#)). The Finance Committee voted unanimously to approve the proposed operating plan, which included a ticket fee structure of \$10 per ticket, membership fees ranging from \$110 to \$245, and additional staffing needs. During the Fiscal Year 2021 budget cycle, the financial impact to the City from the pandemic necessitated a re-evaluation of the JMZ's operating plan. On May 12 and May 13, 2020 the City Council discussed the Fiscal Year 2021 proposed budget and budget reduction strategies, including a staff proposal to increase the JMZ ticket price from \$10 to \$18, increasing the cost recovery from 50% to 85%, based on estimated attendance. Membership prices were also increased in this scenario, ranging from \$150 to \$430. [Staff report 11222](#) and corresponding [Memo](#) were presented as part of the Community Services budget review on May 12, 2020. As part of the FY 2021 budget discussion, the City Council directed staff to report back, six months after the JMZ reopening, on what it would look like to eliminate the General Fund subsidy through a fully cost recoverable program (May 26, 2020 [Action Minutes](#)).

One year later, at the May 4, 2021 Finance Committee meeting, staff presented an adjusted operating plan for the JMZ and recommended that the Committee recommend an opening date and ticket fee structure to the City Council to be included in the FY 2022 Operating Budget. The Friends were concerned that the higher ticket price of \$18 would make the new facility inaccessible to many visitors. Staff worked closely with the Friends to re-evaluate the new operating plan and make recommendations to ensure a successful opening. ([Staff Report 12050](#))

At the FY 2022 Budget Adoption Council meeting ([Staff Report 12307](#)), the City Council approved the \$10 ticket price model, assuming an October 2021 re-opening date. Due to onboarding and operational delays, the JMZ re-opened its doors a month after the originally anticipated date on November 12, 2021.

Discussion

Six-month update Operations Report

The FY 2022 adopted pricing model projected revenues and expenses for an October 2021 opening date with an estimated 65% cost recovery level. The FY 2022 actuals

from November 12, 2021 to June 30, 2022, resulted in a 54% cost recovery level; 11% lower than what was estimated. The lower cost recovery was due to several reasons. From November through December, the facility was open on weekends only and returned to a regularly open schedule of Tuesday through Sunday in January 2022. During the first few months of re-opening, revenue was impacted by COVID-19 surges and limited capacity of visitors in the morning and afternoon sessions. This resulted in fewer ticket sales, fewer class enrollments, and minimal facility rentals. Although there were more memberships purchased than what was originally estimated, the adopted budget assumed a greater number of non-resident memberships sold. The assumption was that non-residents would comprise 80% of membership sales, but the actual sales of non-residents was 62% of all memberships sold. It was also assumed that daily attendance would be composed of 34% memberships and 66% general admission. Instead, the ratio has been about 50% members and 50% general admission.

Members have overbooked reservations that they do not use. Members and ticket holders are required to make reservations for each visit, and because reservations are often booked for weeks in advance, members overbook reservations to hold space. As a result, JMZ sells the unused membership reservations each morning to walk up guests, but this has resulted in long lines for tickets and distracts staff from assisting guests with other needs such as booking birthday and facility rentals. Rental revenue in FY 2022 was estimated at \$120,000 while actuals came in at approximately \$33,000. By the fourth quarter, March through June 2022, the JMZ had greater ticketed admissions and facility rentals. Overall, the greatest revenue-generating sources were ticketed admissions and memberships.

The operating expenses for personnel and non-personnel expenses were associated with caring for the animals, class, camp and school programming, and guest services. Many of the personnel expenses were due to overtime accrued by existing staff to fill the gaps of existing vacancies to meet customer demand. By the end of the FY 2022, the JMZ had a vacancy rate of 12% due to difficulties with recruitment, retirements, and resignations from staff pursuing full-time positions. Due to limited staff capacity, there were some savings in contracts and supplies. Lastly, the allocated charges were significantly lower than what was estimated in the adopted budget. Staff continues to evaluate the existing proforma to ensure that all budgeted expenses are accurately estimated. The table below compares the FY 2022 Adopted budget with FY 2022 actuals (for the time period November 12, 2021 through June 30, 2022).

	FY 2022 Adopted*	FY 2022 Actuals*
Ticket Price	\$10	\$10
Attendance	138,780	62,634
Membership Price Ranges	\$108 - \$430	\$125 - \$288
# of memberships sold	2,000	2,917
Classes and Camps Revenue	\$933,200	\$554,000
Facility Rental Revenue	\$120,000	\$33,500
Total Revenue	\$2,285,000	\$1,476,700
Staffing Expense	\$2,413,600	\$2,380,600
Non-Personnel Expenses	\$408,600	\$221,100
Allocated Charges**	\$675,000	\$154,300
Total Expense	\$3,497,200	\$2,756,000
General Fund Impact*** (subsidy)/contribution	(\$1,212,000)	(\$1,279,000)
<i>Cost Recovery</i>	<i>65%</i>	<i>54%</i>

* The revenues and expenses have been rounded to the nearest hundred.

** Allocated Charges include direct services such as electricity and refuse collection. They do not include General Fund Cost Allocation Plan charges such as Human Resources or Administrative Services support, which are typically included in determining cost recovery levels. Allocated Charges are generally budgeted at the department level, not by specific facilities. Therefore, the estimates included in this report are the result of staff analysis of FTE and building square footage ratios managed by the Community Services Department. These estimates will be refined in collaboration amongst internal stakeholders and brought forward as part of the annual budget process as further information becomes available.

*** A negative number in Net General Fund Impact indicates a subsidy is required from the General Fund for operations.

Achieving a Fully Cost Recoverable Program

From the recent opening of a new facility to the uncertainty surrounding COVID-19, staff has limited data to project what the next fiscal year will look like. Based on the available data, a fully cost recoverable program will depend on ticketed admissions and membership revenue and capacity. For the purpose of this pricing model, the FY 2023 adopted budget financial assumptions were used as a baseline to project full cost recovery.

Since re-opening, ticket sales and memberships have been the largest revenue streams. As a result, all scenarios include an increase in ticket and membership prices ranging from no increase to 80% to achieve a fully cost recoverable program. All scenarios have a revised number of memberships sold based on the actual memberships sold in FY 2022 and assumes that due to ticket price increases, some visitors may be more inclined to purchase a membership. The table below summarizes these updates and shows the fully cost recoverable options rounded to the nearest hundred.

Scenarios modeled for discussion include:

- Scenario 1 - 50% Ticket Price Increase
80% membership price increase for non-residents and residents

- Scenario 2 - 60% Ticket Price Increase
50% membership price increase for non-residents and 40% for residents)
- Scenario 3 - 70% Ticket Price Increase
10% membership price increase for non-residents and no increase for residents
- Scenario 4 - 80% Ticket Price Increase
no membership price increase

	FY 2023 Adopted *	Scenario 1 50% Ticket Price Increase	Scenario 2 60% Ticket Price Increase	Scenario 3 70% Ticket Price Increase	Scenario 4 80% Ticket Price Increase
Ticket Price	\$10	\$15	\$16	\$17	\$18
Attendance	138,750	138,750	138,750	138,750	138,750
Membership Price Ranges	\$108 - \$430	\$225 - \$518	\$175 - \$432	\$125 - \$316	\$125 - \$288
# of memberships sold	2,000	3,000	3,000	3,000	3,000
Classes and Camps Revenue	\$935,700	\$935,700	\$935,700	\$935,700	\$935,700
Facility Rental Revenue	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Total Revenue	\$2,518,800	\$3,889,300	\$3,889,900	\$3,889,500	\$3,998,000
Staffing Expense	\$2,552,100	\$2,552,100	\$2,552,100	\$2,552,100	\$2,552,100
Non-Personnel Expenses	\$408,600	\$408,600	\$408,600	\$408,600	\$408,600
Allocated Charges**	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000
Total Expense	\$3,860,700	\$3,860,700	\$3,860,700	\$3,860,700	\$3,860,700
General Fund Impact*** (subsidy)/contribution	\$(1,341,900)	\$28,600	\$29,200	\$28,700	\$137,300
Cost Recovery	65%	100%	100%	100%	104%

* The revenues and expenses have been rounded to the nearest hundred.

** Allocated Charges include direct services such as electricity and refuse collection. They do not include General Fund Cost Allocation Plan charges such as Human Resources or Administrative Services support, which are typically included in determining cost recovery levels. Allocated Charges are generally budgeted at the department level, not by specific facilities. Therefore, the estimates included in this report are the result of staff analysis of FTE and building square footage ratios managed by the Community Services Department. These estimates will be refined in collaboration amongst internal stakeholders and brought forward as part of the annual budget process as further information becomes available.

*** A negative number in Net General Fund Impact indicates a subsidy is required from General Fund for operations.

As discussed in prior reports, staff is aware of the potential impacts that increased pricing may have on visitation, including limiting accessibility for some families. Variables that may impact assumptions on price and volume include:

- Ticket price increases could encourage visitors to purchase a membership.
 - In scenarios with the high membership prices, such as scenarios 1 and 2 people may be deterred from purchasing a membership.

- Scenarios 3 and 4 could encourage visitors, especially residents, to purchase a membership given the reasonable membership prices compared to the ticket price.
- Higher prices could pose a barrier to lower-income visitors, all scenarios include the discounted entrance fees through the Museums for All program for qualifying families.
 - The Museums for All program is a cooperative initiative between the Association of Children's Museums (ACM) and the Institute of Museum and Library Services (IMLS) to offer free or reduced admission to individuals and families presenting a Supplemental Nutrition Assistance Program (SNAP) Electronic Benefits Transfer (EBT) card.
 - Some families who do not qualify for SNAP benefits may still find it difficult to pay higher ticket prices and may choose to visit free or lower cost attractions instead of the JMZ.
- Adjustments in activities for classes and rentals may impact the overall revenue generated, however, more experience is needed before revised estimates are produced.
 - So far in FY 2023 (July and part of August) facility rental and birthday party revenue totaled \$17,800. Projections anticipate bookings will continue to be strong this year though fall below budgeted estimates (\$200,000) at \$90,000 in revenue from facility rentals and birthday parties.

Pricing Comparisons

The ticket prices in the scenarios above are within the range of other nearby family science and zoo-based attractions. However, the membership prices in scenarios 1 and 2 (\$225 - \$518 and \$175 - \$432, respectively) are much higher than other local attractions. Many museums and zoo institutions have increased ticket prices recently, including Happy Hollow in San Jose and Curiodyssey in San Mateo. Other local attractions have pricing models as follows:

	Ticket	Membership (Basic Family)
Children's Discovery Museum - San Jose	\$15	\$175
Happy Hollow Park & Zoo - San Jose	\$18	\$300
Curiodyssey - San Mateo	\$19.95 Adult/ \$15.95 Child	\$185
Children's Creativity Museum - San Francisco	\$20	\$209
Children's Fairyland - Oakland	\$15	\$129

The chart above shows that the adopted pricing model for FY 2023 is below the ticket fee for nearby attractions. Resident membership pricing is also below other nearby attractions and non-resident membership fees are set at approximately the median in this group. In a full cost recovery model, ticket prices for the JMZ lie within the range of local attractions, however, a drastic increase of 50% within a year may impact visits and deter patrons.

Ticket and membership prices for the JMZ did not increase from FY 2022 to FY 2023. Should the Committee and Council wish to increase cost recovery levels, one approach to consider is to develop a roadmap to achieve the desired cost recovery level. This would likely reflect incremental changes to price such as an increase to prices by 10% to 20% in the coming fiscal year to factor inflation and align with typical general rate increases included as part of the municipal fee schedule. A gradual increase would allow staff to engage with the community and keep community members updated. The phased approach would also allow staff to continue to revisit the evolution of all revenue streams including classes and facility rentals as part of the total cost recovery calculation. Staff will continue to further analyze available data to understand the impact of price increases on attendance and membership purchases.

There have been previous discussions about transitioning the JMZ into a public/private partnership model to be operated by a nonprofit such as the Friends of the JMZ. The Facilities Agreement between the City and Friends, which was approved by City Council on February 5, 2018 (Staff Report #8851) states, "Within five years of re-opening the new JMZ, the Parties will discuss the feasibility and desirability of transferring governance from the City to the Friends."

Recent Operational Changes

On August 1, 2022, the JMZ added an additional start time (12:30pm) for reservations bringing the total number of start times from two to three each day. By opening a new time slot and allowing guests to stay longer, the JMZ increased the reservation capacity from 500 to 700 per day to spread-out arrivals and decreased the time customers need to stand in line. Also, the JMZ stopped selling tickets at the service desk and are requiring guests to purchase tickets online only.

The JMZ will be increasing the number of staff and volunteers available during peak times to assist walk-up guests with their online purchases. Guests who purchase their tickets in advance can scan their own tickets for entry. This will allow also staff more time to assist guests with other needs including booking classes, camps, birthday parties, and facility rentals.

Resource Impact

Funding for the current operating plan of the JMZ is available in the FY 2023 Adopted Operating Budget. This report does not recommend any resource adjustments. As operational trends of the new JMZ emerge, staff will gain a better understanding of where there are gaps in service, particularly in visitor services. Staff is evaluating the current resource requirements and developing short-, mid- and long-term plans to ensure adequate staffing levels for the safety and enjoyment of visitors. If additional resources are recommended, those requests will be presented to the Council as a part of the annual budget process. Any guidance from the Committee to staff or recommendations to the full Council will be monitored for implementation as part of the FY 2024 annual budget process.

Policy Implications

The operating model discussed in this report advance many important policy objectives related to the City Comprehensive Plan Policy Goal C-1: Deliver community services effectively and efficiently. These include:

- Policy C-1.4 Promote City parks, open spaces, recreational facilities, libraries, classes and cultural activities for community members recognizing that these facilities and services build and strengthen community.
- Policy C-1.16 Provide arts, science and recreational activities that foster healthy children, youth and teen development.
- Policy C-1.20 Leverage available funding to support the development of, and improved access to, programs that address all types of developmental disabilities, including physical, sensory, cognitive or social/emotional needs.

Stakeholder Engagement

Community Services Department staff developed the adopted operating model in careful coordination with other City departments including Human Resources and the Office of Management and Budget.

Environmental Review

The changes to the JMZ admission charges discussed above are statutorily exempt pursuant to CEQA regulation 14 CCR § 15273 as they are for the purposes listed in 14 CCR § 15273(a).