



City of Palo Alto

Finance Committee Staff Report

(ID # 12050)

Report Type: Action Items

Meeting Date: 5/4/2021

Summary Title: JMZ Adjusted Operating Plan

Title: Review and Recommend to the City Council an Adjusted Operating Plan for the Junior Museum and Zoo, Including an Opening Date and Ticket fee Structure

From: City Manager

Lead Department: Community Services

Recommendation

Staff recommends that the Finance Committee review and recommend to City Council an adjusted operating plan for the Junior Museum and Zoo, including an opening date and ticket fee structure.

Executive Summary

This memo outlines several scenarios for an adjusted operating plan, including potential opening dates and cost recovery levels associated with the re-opening of the Junior Museum and Zoo (JMZ). The JMZ was intended to reopen in October 2020 as a larger facility with more animals and exhibits, however; due to the ongoing pandemic the opening has been delayed. As we continue to navigate the public health emergency and the City's loss of revenue to the General Fund, we have evaluated a new opening date of October 2021 and several different ticket price options for opening the JMZ, ranging from \$10 per ticket to \$18 per ticket, with additional dynamic pricing models to consider. CSD continues to evaluate new revenue opportunities at the JMZ as well and has outlined estimates in this memo, though staff continue to refine these projections. Ultimately, staff is seeking Finance Committee's review and discussion of these adjustments and direction on how to proceed. Any necessary budget adjustments will be brought forward for approval in the appropriate budget cycle.

Background

Founded in 1934, the Palo Alto Junior Museum & 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.

The JMZ's permanent location and facility was established in 1941, when the JMZ building was built, and in 1969, when the zoo was added. 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the Friends of the Junior Museum and Zoo (Friends) launched the JMZ Initiative – a \$25 million campaign to rebuild the outdated JMZ facility in recognition that the existing structures were not adequately sized nor designed to 1) accommodate the JMZ's vibrant exhibits, expanded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.

By January 31, 2017, the Friends successfully met this campaign goal, thanks to a \$15 million matching grant from the Peery Family and \$10 million in other private donations from local donors. These donations have enabled the City and the Friends to build a new JMZ, which will improve the visitor experience by combining experiential exhibits, with an expanded and optimized space to make science programming scalable and able to meet the increased needs of future generations. The JMZ has served families for more than eighty years and the new facility will ensure the same exceptional quality of early science education for children for many years to come.

The JMZ construction project began in the summer of 2018 and is expected to conclude in the spring of 2021. Details of the rebuilding process can be found in [Council Memo 8851](#) from February 5, 2018 and [Council Memo 9245](#) from May 29, 2018. The JMZ will reopen as a state-of-the-art museum and zoo built with a focus on inclusion, accessibility, and the highest standards in animal care.

As leaders in early childhood education, the Junior Museum & Zoo engages infants, toddlers and children through play to think critically and creatively. The experience that guests will have in the zoo has been reimaged and rebuilt. The experience is called Loose-in-the-Zoo because children will lead the experience and many of the animals will be loose within the zoo (but under a protective net.) It is place where children will lead their families to find animals where they would in nature; on a pond, in a log, in a tree stump, underground, underwater, and in the trees. Animal care takers will introduce children to animals in the Wildlife Circle, including the many birds that are loose in the zoo, such as ibises, flamingos, spoonbills and many more.

In 2022, the JMZ will also open a permanent exhibit about the dinosaurs that lived in California. It will include live cretaceous-era plants, turtles, geologic specimens, a fossil dig, and life-size models of several types of dinosaurs from California.

The new JMZ experience has been designed to accommodate people of all abilities. The interactive science exhibits were developed by City exhibit staff who designed, prototyped, and tested exhibits under the watchful eyes of an accessibility advisory committee made up of people representing a variety of disabilities. This process helped find solutions to difficult challenges and assured that every exhibit can be enjoyed by all. For example, in the zoo there will be life-sized, detailed bronze sculptures representing the species of live animals on display, so that everyone can use their sense of touch to learn more about their forms.

Outside the JMZ there will be several enhancements including a redesigned parking lot with enhanced pathways for bicyclists and pedestrians, and improvements in the connecting spaces around the Lucie Stern Community Center, the Lou Henry Hoover Girl Scout House, the JMZ and Rinconada Park. There will be new picnic areas, a new playground, and new exhibits along the promenade that connects Middlefield Road to Rinconada Park. Children can hop on boulders through a bioswale, play alongside animal sculptures under a tree, or explore a 10-billionth scale model of our solar system. The new facility will enhance the JMZ’s ability to deliver their award-winning educational programs that deliver hands-on science lessons to more than 18,000 students in 60 schools including many Title 1 schools in East Palo Alto and Santa Clara County.

Recent Actions

On March 3, 2020, the Finance Committee reviewed and recommended to City Council a proposed operating plan for the Junior Museum and Zoo ([Staff Report 11093](#)), including a recommended staffing complement and estimated cost recovery levels. Due to uncertainty about the economy, construction delays due to County Health Orders and limits on public gatherings due to the COVID-19 pandemic, staff presented an updated operating plan to City Council on May 12, 2020 that increased the JMZ’s cost recovery goals through increased ticket prices and memberships, which was approved by Council ([Staff Report 11222](#) and [May 12, 2020 Memo](#)). At that time, opening of the JMZ was tentatively planned for March 2021.

Staff has since worked closely with the Friends of the Junior Museum and Zoo (Friends) to re-evaluate the opening date, ticket prices and membership rates to ensure a successful opening.

Discussion

At the March 3, 2020 Finance Committee meeting, the Committee reviewed [staff report 11093](#): Review and Recommend to Council the Preliminary Operating Plan and New Municipal Fees for the Junior Museum and Zoo, transmitted by the Community Services Department and unanimously approved the report for City Council consideration. This report assumed an opening date of October 2020 and proposed new entrance and membership fees (see table below). The proposed operating also increased personnel and non-personnel expenses.

TICKET PRICING AS PRESENTED TO FINANCE COMMITTEE ON MARCH 3, 2020

DAILY ENTRANCE TICKET	\$10 (\$0 – 1 and younger)
DISCOUNTED TICKET FEE	\$0 - \$2
ANNUAL FAMILY MEMBERSHIP – RESIDENT	\$110
ANNUAL FAMILY MEMBERSHIP – NON-RESIDENT	\$145
ANNUAL FAMILY PLUS MEMBERSHIP – RESIDENT	\$185
ANNUAL FAMILY PLUS MEMBERSHIP – NON-RESIDENT	\$245

At the May 12, 2020 City Council meeting, staff presented adjustments to the original operating model to minimize reliance on the General Fund and to evaluate public confidence around museum and zoo visitation ([CMR 11222](#) and [Memo](#)). These adjustments were made in

response to the COVID-19 pandemic and shelter in place orders, which resulted in construction delays, delays in acquiring animals for the zoo and uncertainty about the City’s financial stability. The adjusted operating model delayed the opening date to March 2021 and increased cost recovery levels through increased ticket prices (see table below). Personnel and non-personnel costs were not reduced ongoing because of the costs and effort associated with animal care, construction of exhibits, and program development, however; the delayed opening reduced expenses on a one-time basis by \$214,000. The adjusted operating model presented to Council on May 12th increased cost recovery from 50% to 85%.

TICKET PRICING AS PRESENTED TO CITY COUNCIL ON MAY 12, 2020

DAILY ENTRANCE TICKET	\$18 (\$0 – 2 and younger)
DISCOUNTED TICKET FEE	\$2
ANNUAL FAMILY MEMBERSHIP – RESIDENT	\$150
ANNUAL FAMILY MEMBERSHIP – NON-RESIDENT	\$216
ANNUAL FAMILY PLUS MEMBERSHIP – RESIDENT	\$300
ANNUAL FAMILY PLUS MEMBERSHIP – NON-RESIDENT	\$430

Staff and the Friends have since re-evaluated the operating model approved by City Council on May 12th, including the opening date and ticket and membership fees and are presenting a range of pricing models for Finance Committee’s consideration.

Opening date

With delays in construction and animal acquisition, as well as the continuing uncertainty around the COVID-19 pandemic and timeframe for rolling out a vaccine to the public, both staff and the Friends agree that a October 2021 opening is recommended. Both staff and the Friends envision a successful opening to welcome the community to the new facility and celebrate families being able to gather in an exciting and vibrant place once again. Staff looked at a July 2021 opening but due to continued public uncertainty with the pandemic such as the timing of “herd immunity”, parents may not be prepared to visit an intimate high-touch children’s museum and zoo by July. Before the JMZ can open, there is a four to six month launch period that includes preparing exhibits and animals, hiring and training staff, and marketing to the JMZ’s old and new audiences.

Based on guidance from marketing experts, CSD expects that when there is enough early indication of safety and enough of the population has received vaccines, there will be a significant wave of interest in the JMZ. That interest, combined with a strategically planned marketing campaign and grand opening experience, will ultimately lead to a successful opening later in the year.

Ticket fees

The newly constructed JMZ will shift from a historically free entrance model to a fee-based ticketing system. In March 2020, staff and the Friends of the JMZ were in agreement on a \$10 per person daily entrance fee. A variety of membership fees were also presented that offered a

discount to residents and steep discounts for low-income families. When it became clear that the City’s financial position was changing due to COVID-19, staff re-examined this fee and proposed a new entrance fee of \$18 per ticket, as well as increased membership prices in response to the economic impacts of COVID-19. This resulted in a cost recovery increase from 50% (at \$10/ticket) to 85% (at \$18/ticket). Since that time staff have met with the Friends of the JMZ several times to discuss whether the \$18 ticket price is realistic, and if it would in fact hurt attendance and revenue by outpricing many visitors who might instead choose to visit one of the Bay Area’s other children’s museums or zoos. The Friends also expressed concern that the higher ticket prices would no longer make visiting the JMZ accessible to all as many would not qualify for the discounted ticket fee for low-income visitors yet may not be able to pay the higher price.

Staff have developed several pricing models and corresponding cost recovery levels that include assumptions for visitor attendance, number of memberships sold, class and camp revenue and rental revenue. There are also options for dynamic pricing that would assign a higher ticket price during peak times. Additionally, the discounted ticket fee has been raised from \$2 to \$3 in these scenarios. It is worth noting that the Friends are in favor of a \$10 daily ticket price.

	PROPOSED TO FINANCE COMMITTEE ON 3/3/20	ADOPTED BY CITY COUNCIL ON 5/12/20	ADDITIONAL PRICING MODELS EVALUATED
DAILY ENTRANCE TICKET	\$10 (\$0 – 1 and younger)	\$18 (\$0 – 2 and younger)	\$12 or \$14(\$0 – 2 and younger)
DISCOUNTED TICKET FEE	\$2	\$2	\$3
ANNUAL FAMILY MEMBERSHIP – RESIDENT	\$110	\$150	\$130 - 151
ANNUAL FAMILY MEMBERSHIP – NON-RESIDENT	\$145	\$216	\$144 - \$168
ANNUAL FAMILY PLUS MEMBERSHIP – RESIDENT	\$185	\$300	\$216 - \$252
ANNUAL FAMILY PLUS MEMBERSHIP – NON-RESIDENT	\$245	\$430	\$240 - \$280

Pricing Comparisons

The JMZ’s original pricing model of \$10 per ticket was slightly below the typical ticket fee for other nearby attractions. Resident membership pricing was also slightly below other nearby attractions and non-resident membership fees were set at approximately the median in this group. Staff set the fees to be priced slightly below other comparable attractions in consideration of the adjustment that visitors to the old JMZ will need to make in moving from free to ticketed entry. A \$12 to \$14 ticket fee would align with the low to middle price range of

nearby attractions, with a \$16 and \$18 fee on the higher end of, or exceeding the range. Membership fees are on the higher end when compared to nearby museums and zoos. Other local attractions have pricing models as follows:

	Ticket	Membership (Basic Family)	Features
Children's Discovery Museum - San Jose	\$15	\$175	STEM and creativity exhibits, art studio, theatre
Happy Hollow Park & Zoo - San Jose	\$14.25	\$160	Zoo, park, amusement park rides
Curiodyssey- San Mateo	\$15.95 Adult / \$12.95 Child	\$145	Science museum and zoo, hands-on STEM exhibits
Children's Creativity Museum – San Francisco	\$15	\$119	Hands-on, multimedia arts and technology experiences
Children's Fairyland - Oakland	\$12	\$119	Storybook sets, rides, some animals (mostly farm)
Lindsay Wildlife Experience – Walnut Creek	\$12 Adult / \$10 Child and Seniors	\$90	Outdoor public programs, exhibit hall, animal interactions, wildlife hospital

Resource Impact

Staff projected revenues and expenses for an October 2021 opening based on different ticket prices and a number of other updated assumptions including an annual attendance of 185,000, with 75% of total attendance attributed to ticketed entries rather than members. Original projections presented to Finance Committee and Council were based on a 65% ticketed attendance model, however staff have reevaluated that figure based on recommendations from a marketing consultant. This change increases overall ticketed revenue in each scenario. Revenue from membership sales has also been reevaluated and updated to assume most membership sales will be the Annual Family Membership – Non-resident option. Staff and the Friends have revised membership prices based on the varying ticket price models. Staff also propose a 15% increase to class and camp fees at the JMZ in order to maintain desired cost recovery levels. This increase in revenue is included in total revenue figures below. Additionally, the adopted operating model included a \$2 discount ticket option, which has been raised to \$3 in these scenarios. Finally, staff also evaluated operating expenses and have included a proposal as part of the FY 2022 budget cycle to reduce marketing expenses by \$100,000. The

table below summarizes these updates and shows revenue and expense information for Fiscal Year 2022.

	FY 2022 Current: Full Year of Operations	FY 2022 Updated: October 2021 Opening			
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Ticket Price	\$18	\$18	\$14	\$12	\$10
Attendance	185,000	138,780	138,780	138,780	138,780
Membership Price ranges	\$150 - \$430	\$194 - \$360	\$151 - \$180	\$130 - \$240	\$108 - \$200
# of memberships sold	2,000	2,000	2,000	2,000	2,000
Total Revenue	\$3,199,000	\$3,171,000	\$2,678,000	\$2,431,000	\$2,185,000
Staffing Expense	\$2,413,000	\$2,413,000	\$2,413,000	\$2,413,000	\$2,413,000
Non- personnel Expense*	\$503,000	\$403,000	\$403,000	\$403,000	\$403,000
Allocated Charges	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000
Total Expense	\$3,816,000	\$3,716,000	\$3,716,000	\$3,716,000	\$3,716,000
Net General Fund Impact**	\$617,000	\$545,000	\$1,038,000	\$1,285,000	\$1,531,000
Cost Recovery	84%	85%	72%	65%	59%

* Staff have included a proposal as part of the FY 2022 budget cycle to reduce marketing expenses by \$100,000.

**A negative number in Net General Fund Impact indicates that this scenario would contribute financially to the General Fund

Beginning in Fiscal Year 2023 which would be the first full year of operations, it is estimated that cost recovery levels for a \$14, \$12, and \$10 ticket fee will increase to 78%, 71%, and 63% respectively.

Staff anticipate that the new JMZ will be a premier rental facility for events and are working on modelling different rental packages, including corporate rentals and birthday parties, which would bring in additional revenue. Initial estimates range from \$100,000 - \$150,000 annually in the first year, and upwards of \$300,000 in year three of opening as the facility continues to attract visitors and word of mouth spreads. Staff continue to refine these numbers and are exploring other creative revenue opportunities such as an “Adopt an Animal” program or private animal interactions.

Other Models for Consideration

Staff explored various dynamic pricing models that would assign a higher ticket price during peak days including weekends and holiday breaks, and lower prices during non-peak days or weekdays. All other assumptions remain the same. These models are shown in the table below:

		FY2022 DYNAMIC PRICING MODELS		
		Scenario 6	Scenario 7	Scenario 8
Ticket Price	Non-Peak/Weekdays	\$14	\$12	\$10
	Mid/Weekends	\$16	\$14	\$12
	Peak times/Holiday breaks	\$18	\$16	\$14
Revenue		\$2,809,000	\$2,563,000	\$2,316,000
General Fund Impact		\$907,000	\$1,153,000	\$1,400,000
Cost Recovery		76%	69%	62%

In the first full year of operations, cost recovery levels for dynamic pricing scenarios 6, 7, and 8 will increase to 82%, 74%, and 67% respectively.

Another set of scenarios could be considered that would delay the opening for another full year, to FY 2023. Council might consider this if there is uncertainty about the success of opening the JMZ before most of the population is vaccinated for COVID-19. Ideal months to open are spring, summer and the winter holiday season. This would delay some expenses, but there will still be personnel and non-personnel expenses associated with caring for animals, and class, camp and school programming, and would eliminate most revenue that would otherwise be gained through ticket and annual membership sales.

The recommendations in this report will have an impact on citywide resource allocation and the financial assumptions being used to develop the Fiscal Year (FY) 2022 Proposed Budget. The scenarios in this report may represent an increase in FY 2022 General Fund support for the annual operations of the New Junior Museum and Zoo depending on which model is chosen.

For example, adjusting full-price tickets from \$18 to \$14 is estimated to increase the impact to the General Fund by \$555,000 in a full year of operations, which would adjust the parameters of Scenario B from a \$6.8 million to a \$7.4 million gap. This loss of revenue may be partially offset by other adjustments such as increases in the fees for classes and camps. Should the committee and City Council choose to change the current business plan assumptions as outlined in this report, the additional General Fund gap is recommended to be addressed through the FY 2022 budget development process.

Policy Implications

The recommended operating model outlined 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

City staff and the Friends of the JMZ have kept community members updated on the JMZ's construction process, temporary relocation, and reopening throughout the process. Updates have come from both the City's website and the Friends of the JMZ website as well as printed brochures, flyers, and catalogs from the JMZ. One key component of the recommended operating proposal is funding for marketing and outreach as the JMZ gets ready to reopen. Staff will begin a robust marketing plan several months in advance of the opening to ensure that City residents, current JMZ visitors, and neighboring communities are aware of the JMZ's reopening.

Community Services Department staff have developed the proposed operating model in careful coordination with other City departments including Human Resources and the Office of Management and Budget. has worked closely with the Friends of the JMZ to further refine these scenarios and expectations.

Environmental Review

The City Council adopted a resolution approving a mitigated negative declaration and mitigation monitoring and reporting program in accordance with CEQA for the JMZ project on December 4, 2017 ([staff report](#) and [action minutes](#)).