



RON GALPERIN
CONTROLLER

April 25, 2018

Honorable Eric Garcetti, Mayor
Honorable Michael Feuer, City Attorney
Honorable Members of the Los Angeles City Council

Re: Review of the Zoo Department and GLAZA

The Los Angeles Zoo and Botanical Gardens (Zoo) is an important cultural, educational and recreational institution of our City. To help the Zoo best realize its potential, my Office conducted a Review of the Governance Arrangement between the City's Zoo Department and the not-for-profit Greater Los Angeles Zoo Association (GLAZA). The Review includes recommendations for near-term and long-term changes to propel the Zoo forward.

The Zoo's mission is to serve Angelenos and visitors by creating a place for recreation and discovery, for inspiring an appreciation for wildlife through exhibitry and education, and for animal welfare. The mission also includes supporting programs that preserve biodiversity and conserve natural habitat. The Zoo has been nationally recognized for its achievement despite staffing shortages, infrastructure challenges and budget limitations. GLAZA, the independent not-for-profit corporation and official support organization of the Zoo, is made up of paid staff and a volunteer board that have been dedicated to managing membership, concessions, fundraising and marketing.

The governance arrangement in which the City's Zoo Department and GLAZA share responsibilities defined by an operating agreement and multiple Memoranda of Understanding (MOUs), has become cumbersome, however, for all parties involved. The result has often led to confusion and difficulty in fully achieving accountability and transparency. In the near-term, steps should be taken to reduce the confusion and increase accountability. In the longer-term, it is time for the City to explore a new organizational model to make the Zoo the world class entity it can be - and that Angelenos deserve.

The Controller's Review is based on multiple interviews with officials at the Zoo and GLAZA, and with research of 13 other zoos throughout the country.

Near-Term Recommendations:

- **Strengthen transparency.** While GLAZA exists solely to support the Zoo, it does not publically post its detailed financial transactions - only more general financial reports. To provide more accountability and transparency in line with public expectations, GLAZA should begin to provide the details of its operational revenue and expense transactions online, in line with how the City operates.
- **Increase accountability.** Both the Zoo and GLAZA need to better define and set performance metrics that should be compared against targets, as well as to the performance of prior years and to other similarly sized/situated zoos. Where targets are not being met, there needs to be a process for corrective actions.
- **Clarify and consolidate multiple agreements.** A series of MOUs following the original 1997 operating agreement between the City and GLAZA sought to create a structure to grow programs and activities while and grow support for the Zoo. Collectively, however, these governing agreements have created ambiguity and inconsistencies. It is critical to the success of the Zoo that these agreements be streamlined, so as to better clarify the relative responsibilities and sharing of revenues by the parties.

Longer-Term Recommendations:

While addressing the areas above will help to improve the operational relationship between the Zoo Department and GLAZA, the City will be better served by an alternative organizational model.

Los Angeles' current governance structure is unique among zoos. According to a recent study of the Association of Zoos and Aquariums, more than 80 percent of its accredited zoos are non-government managed - and largely operated by not-for-profit entities.

Other cultural entities in Los Angeles County have successfully transitioned their governance arrangements, leading to more prosperous organizations. The Los Angeles County Museum of Art (LACMA), for example, is run by a not-for-profit under a 99-year contract with the County. The LACMA director remains a County employee and is also the Chief Executive Officer of the not-for-profit. The Natural History Museum (NHM) is also run by a not-for-profit with some of its leadership appointed directly by the County Board of Supervisors. There are clear hurdles for the City, many of which are detailed in my report. However, there are also historic examples of success, which should be examined to assist in providing a path forward.

Respectfully submitted,

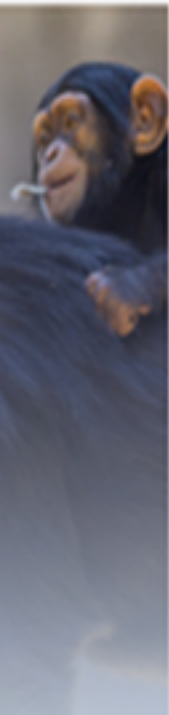


RON GALPERIN
Los Angeles Controller

**L.A. Controller Report
Greater Transparency &
Accountability at the:**

LOS ANGELES ZOO

April 25, 2018



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LA CONTROLLER

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EXECUTIVE SUMMARY

Every year, nearly two million people visit the Los Angeles Zoo and Botanical Gardens (Zoo) for recreation, discovery, and inspiration. The Zoo is an important asset for the Los Angeles region and is part of the City's cultural, educational, and recreational fabric.

The Zoo is a City Council–controlled Department that was created by Ordinance. A citizen Board of Zoo Commissioners advises the Zoo General Manager (also known as the Zoo Director), who is responsible for control and management of the Zoo Department.¹ The Zoo's Mission Statement is *"To serve the community, the Los Angeles Zoo will create an environment for recreation and discovery; inspire an appreciation of wildlife through exhibitry and education; ensure the highest level of animal welfare; and support programs that preserve biodiversity and conserve natural habitat"*. In addition, the Zoo's Vision Statement is *"We will leverage the diverse resources of Los Angeles to be an innovator of the global zoo community, creating dynamic experiences to connect people with animals."*

The City's Zoo Department manages programs related to animal care, admissions, custodial services, grounds maintenance, planning and construction, public relations (crisis and animal related) and general administration. The Greater Los Angeles Zoo Association (GLAZA) is the official support organization of the Zoo, and is an independent not-for-profit corporation. Through the terms of an *Operating Agreement*, *Concession Agreement*, and four *Memorandums of Understanding (MOUs)*, GLAZA manages programs related to Zoo memberships, publications, volunteers, concessions, marketing, public relations, special events, and financial assistance [fundraising]. Together, the City's Zoo Department and GLAZA represent the total Zoo operations and organization.

The Zoo Department's operating budget is set through the City's annual budget process, and for Fiscal Year (FY) 2017 totaled \$33.4 million. Direct costs of \$20.4 million (including staff salaries, animal food, maintenance materials and supplies, contractual services, veterinary supplies, office supplies, uniforms, field equipment, etc.) are covered by an allocation from the Zoo Enterprise Trust Fund (ZETF). The Zoo Department's indirect and related costs of \$13 million (including pension and other human resource benefits, workers compensation, liability claims, and other City overheads) are absorbed by the City's General Fund.

Funds available in the ZETF, a City Special Revenue Fund, derive from revenue receipts collected from Zoo Department programs (primarily admission fees), as well as a portion of the shared revenues from GLAZA-managed programs. Per the FY 2017 adopted budget, 77% of the ZETF's anticipated revenues come from Zoo Department programs (\$15.7 million); while 23% will come from GLAZA (\$4.7 million).

¹ All but one member of the Zoo Commission is appointed by the Mayor whose terms are five years in length. The Zoo Commission also includes an ex officio member who is chosen by the Chair of the GLAZA Board of Trustees. The ex-officio member serves on the Commission until replaced by the Chair of GLAZA's Board of Trustees.

Based on GLAZA's audited financial statements, GLAZA has generated an average of \$15.9 million annually over FYs 2014, 2015, and 2016 through the Zoo programs it manages, which includes revenue generated from membership, concession, and fundraising activities. During this period, GLAZA expended an average of \$15 million annually. Approximately 35% of GLAZA's expenditures represent transfers to the ZETF or expenditures Zoo Department management requested GLAZA to make on their behalf from two funds set aside and maintained by GLAZA for the Zoo Department. The remainder were expenditures incurred for program services delivered or performed by GLAZA on behalf of the Zoo (43%), and administrative (13%) and fundraising (9%) activities.

Objective

The primary objective of this special review was to assess whether the current governance arrangement between the Zoo Department and GLAZA has been effective in supporting the achievement of its vision to "leverage the diverse resources of Los Angeles to be an innovator of the global zoo community, creating dynamic experiences to connect people with animals."

Favorable Conditions Noted

The Zoo has been accredited by Association of Zoos & Aquariums (AZA) for the last 25 years, and has received multiple awards and bred several rare animals during this time. In 2017, the AZA re-accredited the Zoo for another five years and the AZA Visiting Committee indicated they were particularly impressed with the Zoo's: a) giant river otter exhibit; b) living amphibians, invertebrates, and reptiles exhibit; c) the California Condor Conservation Program; d) the Behavioral Enrichment Program; and, e) the ongoing, close working relationship between the Zoo Department and GLAZA. The AZA Visiting Committee indicated that this close working relationship has been instrumental in the success of the Zoo.

For more than fifty years, GLAZA has funded exhibits, plant and animal species conservation, capital projects, and education and community outreach programs at the Zoo. GLAZA's Board includes seven Officers and more than 30 other Trustees²; volunteers who bring their public presence, commitment, personal network, and resources to guide GLAZA in its mission and to seek and provide financial support for the Zoo's programs and capital projects. GLAZA recently completed funding its nearly \$20 million commitment to the Elephants of Asia exhibit, significantly increased number of Zoo night-time events and associated revenue, and began fundraising for a new multi-million dollar park. On March 22, 2018, GLAZA provided a letter (included in Appendix IV) that highlights additional favorable conditions.

² Between FYs 2014 and 2016, GLAZA's Board of Trustees included from 30 to 38 members.

Conditions Requiring Attention

Prior City audits and other independent reviews have identified concerns at the Zoo in terms of governance, contractual arrangements, oversight, and funding – issues that still persist today. While researching the governance arrangements of other zoos throughout the nation and cultural institutions here in Los Angeles County, we learned that the Zoo’s governance arrangement is unique and in our opinion, it is the primary cause for concerns identified during this special review and the reason the Zoo continues to experience many of the same challenges it has in the past, including Zoo Department staffing shortages and infrastructure and maintenance shortcomings.

We offer several recommendations to enhance accountability and transparency under the current structure. However, we believe an alternative governance arrangement warrants consideration to allow the Zoo to maximize its potential and become the world class Zoo it aspires to be. We recognize this will not be a simple endeavor and will take multiple conversations and negotiations with key stakeholders; but to truly support the achievement of the Zoo’s vision, to “leverage the diverse resources of Los Angeles to be an innovator of the global zoo community, creating dynamic experiences to connect people with animals”, while remaining a safe and affordable family destination for Angelenos and surrounding communities, change is needed. Recommended actions to be taken in the near term and long term are discussed below.

Near Term

1. **Accountability & Performance Metrics:** The agreements with GLAZA (i.e., *Operating Agreement, Concession Agreement, and four MOUs*) do not specify the extent of oversight the Zoo Department is required to provide over GLAZA. Based upon our review and confirmed through interviews, Zoo Department oversight of GLAZA has been limited as the Zoo Department has significant staffing shortages. Our review found that the agreements (i.e., *Operating Agreement, Concession Agreement, and four MOUs*) contained few metrics, and they are insufficient to monitor GLAZA’s performance. In the near-term, we recommend the Zoo Department, working with the assistance of the Office of the Chief Legislative Analyst (CLA) and the Office of the City Administrative Officer (CAO), in consultation with GLAZA, establish a robust set of metrics tied to City expectations for GLAZA’s performance related to its contractual responsibilities and the intention of the GLAZA Board to support the Zoo’s overall success. Performance results should be compared against targets, as well as to the performance of prior years and to other similarly sized/situated zoos. Noted differences in planned versus actual results should be analyzed and addressed. This review includes suggested data points that could be used to develop performance metrics.

In addition, as significant revenue is realized through the outsourced Concession Program that is currently managed by GLAZA, stronger controls and reporting are necessary to ensure the completeness and accuracy of the reported revenues. Further, our Office supports

additional creative strategies now and in the future to maximize revenues to be used for Zoo operations.

2. **Public Transparency:** In recent years, the City has dramatically increased its transparency by publicly posting significant amounts of financial information on its website, including detailed transactions related to payroll, purchases, revenues, etc. The public expects accountability of government and public institutions through financial transparency.

Charitable not-for-profits also embrace the values of accountability and transparency as a matter of ethical leadership, legal compliance, and to help preserve the very important trust each donor places in a not-for-profit organization with their contributions. Although GLAZA is a separate entity from the City, it exists for the purpose of establishing, developing, beautifying, and improving the Zoo. Currently, while GLAZA exists solely to support the Los Angeles Zoo, it does not publically post its detailed financial transactions, though high-level summary financial information is available online through its U.S. Internal Revenue Service (IRS) information returns and audited financial statements. To provide more accountability and transparency in line with public expectations, similar to the City and Zoo financial transaction details provided on the Controller's website via ControlPanel LA, GLAZA should begin to provide the details of its operational revenue and expense transactions online, to be as financially transparent as the City and the Zoo Department. Donors, GLAZA members, and all Angelenos should have access to the amount and type of detailed financial transaction information transparently provided by the City, as GLAZA is an integral part of the City's Zoo operations.

Further, the transparency of agreements with GLAZA can be enhanced by delineating the value of "in-kind" support (e.g., facilities, staff support, value of free admissions for members, value of merchandise discount for members, etc.) being provided by the City and GLAZA. This practice would also help to ensure that City management has negotiated revenue-sharing terms with GLAZA that are mutually beneficial.

3. **Consolidation & Clarification of Agreements:** The Zoo Department and GLAZA are operating from six different agreements (i.e., *Operating Agreement*, *Concession Agreement*, and four *MOUs*) that lack clarity and contain inconsistencies, especially regarding revenue-sharing terms. Further, for many years the Zoo Department and GLAZA have operated from expired MOUs and we found that the Zoo Department has informally authorized departures from certain MOU specifications.

While the overarching 1997 *Operating Agreement* between the City and GLAZA provides the legal framework for the operational responsibilities of GLAZA, subsequent *MOUs* have added programs and redefined expectations regarding the financing of Zoo programs and activities. During initial meetings with the Zoo Director and GLAZA President, both indicated that there is much ambiguity and inconsistency amongst the *Operating Agreement*, *Concession*

Agreement, and *MOUs* that needs to be clarified. This review strongly echoes this sentiment and identifies areas in which the Zoo Department could receive additional revenues for its operations. Representatives from the Zoo Department, Office of the City Attorney (OCA), CLA, CAO, and GLAZA should work together to renegotiate, streamline, and clarify GLAZA's responsibilities and revenue-sharing terms.

Long Term

A New Governance Arrangement: While addressing the three areas above would help to improve the operational relationship between the Zoo Department and GLAZA, in the long term, we believe that the City can best help the Zoo through implementing a new organizational arrangement for governing the Zoo.

While nearly all public zoos partner with a not-for-profit organization to help fundraise, it is an entirely different situation when that not-for-profit manages additional programs for the public zoo and shares in related revenues, but does not exercise operational control or authority. Such an arrangement can generate governance confusion, and in our opinion, this is the situation that exists here for the Los Angeles Zoo.

Other zoos have dealt with this issue either by restricting the role of the not-for-profit to fundraising and community relations, or by allowing a non-government entity (typically a not-for-profit) have near/total control of all zoo operations, even if that non-government entity continues to receive public funding or remains subject to oversight from publicly appointed trustees and board members. It is worth noting that based upon a recent AZA study, the vast majority (81%) of AZA accredited zoos are non-government managed. Further, it appears, based upon best practices and literature, zoos function optimally when managed and governed independently, while engaged in partnership with various levels of government to ensure continued public financial support. One well-known zoo-consulting firm noted that all but six AZA-accredited zoos receive some form of government subsidy, with the average subsidy of 30%-35% of total revenues. Further, based upon discussions with Zoo Department and GLAZA management, the public is less willing to donate to the Zoo because it is part of City government.

The City has shown a willingness in the past to explore other organizational models. For example, in 2012, the City attempted to change the Zoo's governance arrangement from being managed by a City Department, to being managed by a not-for-profit entity. A consultant retained by the City indicated that a non-government managed arrangement could reduce the Zoo's costs and increase revenues through a combination of increased flexibility, increased fundraising opportunities, and the gradual transition of City employees to not-for-profit employees through attrition. The City issued a request for proposal (RFP) to transition the Zoo to non-government management and GLAZA's proposal was selected. However, the efforts toward transitioning the Zoo to non-government management ceased when the OCA identified several obstacles, including concerns raised by labor regarding the supervision of Zoo employees by a non-City

supervisor. As such, future efforts to evaluate alternative governance arrangements should include the input of the City's labor representatives.

The result of the City's remaining with the status quo is that the Zoo continues to experience many of the same challenges that it has in the past, including staffing shortages, infrastructure shortcomings and a ZETF fund balance that has decreased substantially, from \$10.4 million in FY 2008, to \$3.1 million in FY 2017. This is concerning, since the City General Fund subsidy only pays for the Zoo's indirect operating costs, thus, the ZETF needs to be maintained at sufficient levels to ensure adequate support to pay the Zoo's direct operating costs.

Conclusion

The results of this review support the position that changes are needed in both the near term and the long term if the Zoo is to truly thrive. The Zoo is a publicly prized asset and it should operate under the conditions that would be most conducive to it reaching its full potential. The current governance arrangement in place, in which the City's Zoo Department and GLAZA share responsibilities defined by an operating agreement and multiple MOUs, has become cumbersome for all parties involved, contributes to confusion, and makes accountability and transparency difficult to achieve. Beyond this, it is not the model which will allow the Zoo to maximize its potential and become the world class Zoo it aspires to be.

To enable transformative change and to support the Zoo, City policymakers should establish a working group with members from the Mayor's Office, the CAO, CLA, OCA, representative Council Offices, the Zoo Department, other applicable stakeholders, including labor representatives.

This working group should first work to establish a clear vision of where the Zoo should be in the next 20 years, and then evaluate alternative governance arrangements noted in this report (e.g., the Los Angeles County Museum of Art (LACMA), the St. Louis Zoo, etc.), including the opportunities for enhanced funding and flexibility associated with each arrangement, to determine which will be in the best interest of the Zoo. Subsequently, the working group, with support from policymakers, should identify and implement the steps necessary to transition the Zoo to the most optimal governance arrangement.

Ensuring a stable source of funding for the Zoo is essential, and some form of public subsidy may always be necessary. Nonetheless, the City must determine which of these will best support the Zoo and enable it to thrive and fully realize its vision to "leverage the diverse resources of Los Angeles to be an innovator of the global zoo community, creating dynamic experiences to connect people with animals," with the Zoo continuing to remain a safe affordable family destination for Angelenos and surrounding communities for years to come. The City must then commit to following through on implementation of its chosen course of action.

Review of Report and Action Plan

A draft of this report was provided to Zoo Department and GLAZA management on February 13, 2018, and we met with Zoo Department and GLAZA management to discuss their comments related to the draft report on March 13, 2018. Auditors considered these comments as we finalized this report.

On March 22, 2018, both the Zoo Department and GLAZA provided formal responses and an action plan, with the intention of them being included as an Appendix to this report (Appendix VI). Based on our evaluation of their response, we now consider one recommendation Implemented (No. 5); while three recommendations remain In Progress (Nos. 1, 3, and 4); and two recommendations remain Not Yet Implemented (Nos. 2 and 8).

The Zoo Department and GLAZA disagreed with Recommendation No. 6 pertaining to increasing transparency of the agreements by delineating the value of “in-kind” support (e.g., facilities, staff support, value of free admissions to members, value of merchandise discounts for members, etc.) provided by the City to GLAZA. We believe that quantifying and disclosing “in-kind” support would also help to ensure that City management has negotiated mutually beneficial revenue-sharing terms with GLAZA. However, Zoo Department and GLAZA management indicated that it would require significant effort to identify and itemize the estimated dollar value of “in-kind” support provided between the two organizations, and questioned the cost-benefit of such an endeavor.

GLAZA also disagreed with Recommendation No. 7, to make publically available via the internet, all detailed transactions related to its payroll expenses, purchases, revenues, etc., --similar to type of City and Zoo financial transaction details provided on the Controller’s website via ControlPanel LA. GLAZA indicated that it is a private, not-for-profit entity governed by its Board of Trustees, whose Audit Committee supervises and accepts its annual independent financial audit and IRS Form 990, noting that it now posts those documents on the Zoo’s website. While GLAZA may not be required to publically share its detailed transaction-based information, it exists solely to support a government entity --the Los Angeles Zoo. As such, the Controller believes that it should provide the same level of detailed financial transparency that the City (including the Zoo Department) makes available to the public.

Recommendation No. 9, relates to the exploration of an alternative governance arrangement for the Zoo. It is addressed to City Policymakers for consideration.

We would like to thank Zoo Department and GLAZA staff and management for their time and cooperation during this review.

BACKGROUND

This section discusses the evolution of the Los Angeles Zoo and Botanical Gardens (Zoo), its management by the City's Zoo Department, and the evolving role of GLAZA in supporting the Zoo through its significant financial contributions and expanded roles. Understanding the relationship between the Zoo Department and GLAZA lends important context to understanding the Zoo's current governance arrangement and the issues noted by this review.

HISTORY OF THE CITY'S ZOO

The City's first Eastlake Zoo dates back to 1885 in East Los Angeles Park. In 1912, the City's Griffith Park Zoo opened near the site of the current Zoo grounds. By 1956, it became apparent that the City had outgrown the small Griffith Park Zoo, and voters approved a \$6.6 million bond measure to help build a new, expanded Zoo. The Los Angeles Zoo and Botanical Gardens opened at its current location in 1966; until 1997 the Zoo was operated by the City's Department of Recreation and Parks.

In 1997, City policymakers added Los Angeles Administrative Code (LAAC) §22.700 by ordinance, which created a separate Council-controlled Zoo Department. This code section prescribes that the Zoo Department "shall operate, manage, maintain and control" of the Zoo. A Board of Zoo Commissioners, appointed by the Mayor, advises the Zoo Director. The Zoo Commission meets on a monthly basis with Zoo Department and GLAZA management, often including presentations on GLAZA's fundraising efforts and significant events occurring at the Zoo.

Today, the Zoo is home to more than 1,100 mammals, birds, amphibians, and reptiles representing more than 250 different species, including 29 endangered species. In addition, the Zoo's botanical collection comprises several planted gardens and 800+ different plant species with more than 7,400 individual plants. As previously mentioned, the Zoo is accredited by the AZA, an organization that requires the "highest standards of animal management and husbandry, while also focusing on animal management for conservation, education, scientific inquiries, and guest services" and it has continuously accredited the Zoo for more than 25 years.³

MISSION AND VISION STATEMENTS

The following is the Zoo's mission statement: *To serve the community, the Los Angeles Zoo will create an environment for recreation and discovery; inspire an appreciation of wildlife through exhibitry and education; ensure the highest level of animal welfare; and support programs that preserve biodiversity and conserve natural habitat.*

The following is the Zoo's vision statement: *We will leverage the diverse resources of Los Angeles to be an innovator of the global zoo community, creating dynamic experiences to connect people with animals.*

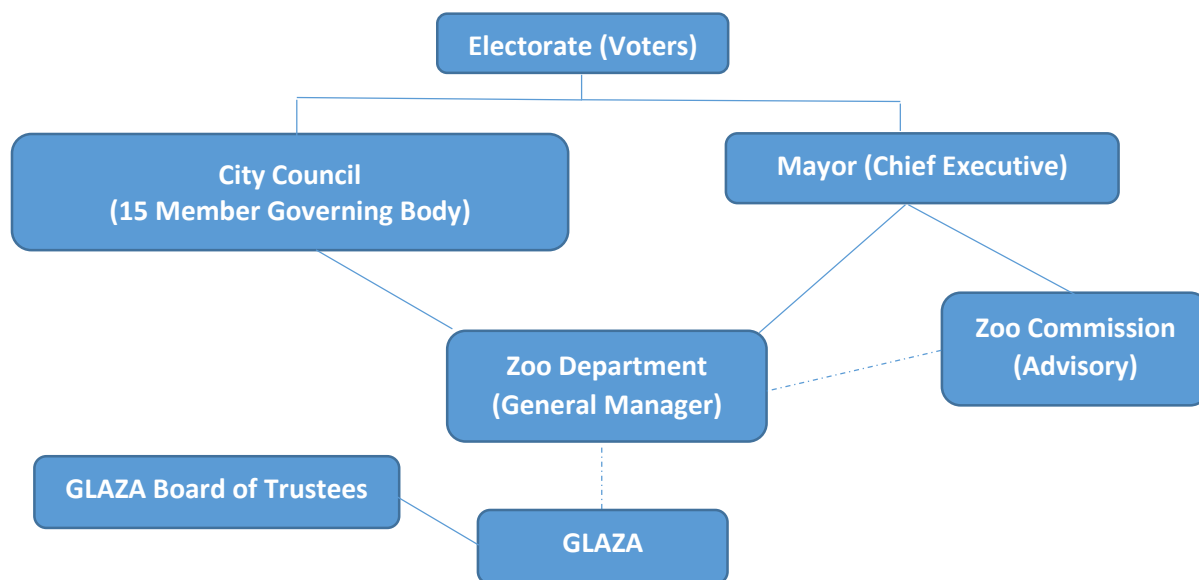
³ <https://www.aza.org/accreditation-vs-certification>

ZOO DEPARTMENT'S RELATIONSHIP WITH GLAZA

In 1963 GLAZA incorporated as a not-for-profit organization to assist the City in establishing, developing, and improving the Zoo through fundraising. In 1997, when the City created the separate Zoo Department, the City entered into an *Operating Agreement* with GLAZA that officially defined its relationship with the Zoo Department.⁴ According to this agreement, the "Zoo Director shall be exclusively responsible for the administration and management of the Zoo within the policy guidelines set forth by the Mayor and City Council." GLAZA's primary responsibility is "to seek and provide financial support to the Zoo and to fund the Zoo's capital improvements." Further, "GLAZA shall be responsible, under the terms of the [*Operating Agreement*], to raise an amount, negotiated yearly, of the Zoo's annual operating budget and funding needs for capital improvements."

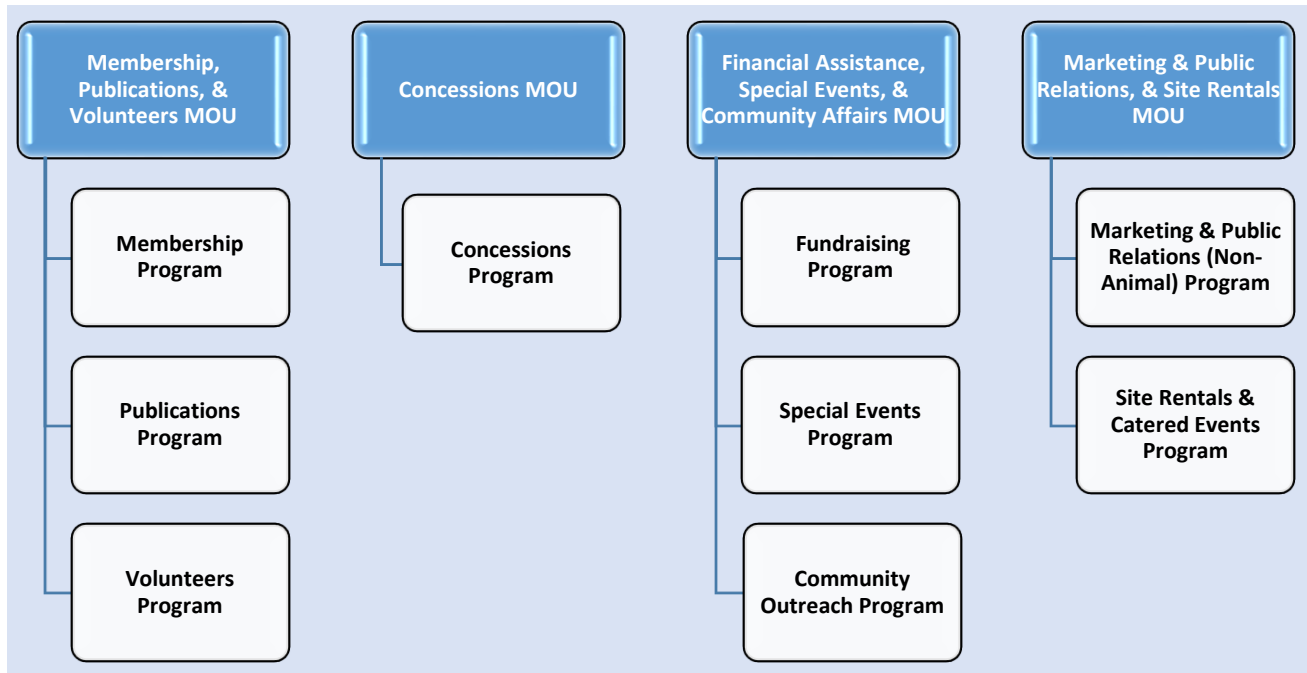
Appendix I delineates GLAZA's contributions toward Zoo capital improvements completed between 2000 and 2014.

The organization chart, below, depicts the Zoo Department and GLAZA's placement within the City's governance structure.

Zoo Department & GLAZA's Placement within the City's Governance Structure

⁴ This *Operating Agreement* will expire in 2022.

The *Operating Agreement* allows the Zoo Director to contract with GLAZA to perform additional responsibilities for the Zoo through separate MOUs.⁵ As of October 2017, under the *Operating Agreement*, *Concession Agreement* (distinct from the *Concessions MOU*), and four separate *MOUs*, GLAZA supports the Zoo Department by managing the following programs:



As of October 2017, GLAZA has 40 full time and 26 part time employees. The number of part time employees fluctuates seasonally. See Appendix II for a fuller description of GLAZA's responsibilities per the referenced *MOUs*.

⁵ The *Operating Agreement* specifies that the City may contract through a separate MOU for GLAZA to perform the Zoo Department's responsibilities for publications, special events, and the rental, construction, operation and maintenance of Zoo facilities. It also specifies that all separate *MOUs* entered into between GLAZA and the Zoo Department will operate as "sub-agreements" to the *Operating Agreement*.

The Zoo Department manages the remaining programs as part of its regular operations:⁶



As of October 2017, the Zoo Department has 219 full-time employees and it has the ability to use 133 part-time positions, as needed. For City budgetary purposes, the Zoo Department has position authority for 246 full time positions (233 regular authority and 13 resolution authority). See Appendix III for a fuller description of the Zoo Department's programs and activities.

⁶ GLAZA public relations staff work with Zoo Department public relations staff to ensure consistent messaging in Zoo communications.

ZOO DEPARTMENT FUNDING

As a Council-controlled City Department, the Zoo Department is subject to annual budget appropriations to fund operations. For FY 2017, the City budget allocated \$33.4 million for the Zoo Department.

\$20.4 million (61% of the Departmental budget) represents direct operating costs (staff salaries, animal food, maintenance materials and supplies, contractual services, veterinary supplies, office supplies, uniforms, field equipment, etc.). All direct costs are covered by the Zoo Enterprise Trust Fund (ZETF), a City Special Revenue Fund that receives and allocates funds that are restricted for Zoo purposes. The remaining \$13 million represents the City's budgetary allocation of indirect and related costs (pension and human resource benefits, workers compensation, liability claims, and other City overheads) associated with the Zoo Department, which is covered by the General Fund.

Funds available in the ZETF are generated from Zoo Department receipts (primarily admission fees) and a portion of revenues generated by GLAZA for their managed programs, as transferred to the City. For FY 2017, the Zoo Department's adopted budget indicated 77% of ZETF revenues would come from the Zoo Department programs; while 23% would come from GLAZA, as an allocation of shared revenues under terms of the *Operating Agreement, Concession Agreement, and MOUs*. See the Table below.

ZETF Budgeted Revenues for FY 2017

Budgeted Revenues	FY 2017	%
Zoo Department Program Revenues		
Admission Program (admission fees)	\$14,211,799	70%
Other Receipts (e.g., Education Program, Preferred Parking, Giraffe Feedings, Zoo Theater, Carousel) ⁷	\$1,495,941	7%
Interest Income and Household Waste Special Fund	\$50,000	0%
Total Zoo Department Program Revenues	\$15,757,740	77%
Revenues to be Provided by GLAZA		
Concessions Revenue	\$1,120,979	5%
Additional Concessions Revenue (transfer to the ZETF)	\$600,000	3%
Membership Revenues	\$1,546,649	8%
Night-Time Ticketed Event Revenues	\$1,214,718	6%
GLAZA Reimbursements to Zoo Department ⁸	\$286,027	1%
Total Revenues Provided by GLAZA	\$4,768,373	23%
Total Budgeted ZETF Revenues	\$20,526,113	100%

Source: City Adopted Budget FY2017.

⁷ Prior to February 2017, GLAZA operated the carousel.

⁸ GLAZA reimburses the Zoo Department when its employees work overtime at night-time ticketed events.

In addition to the City budget, the Zoo Department has access to funds held in two accounts maintained by GLAZA: the Zoo Assistance Fund (ZAF) and the Zoo Surplus Development Fund (ZSDF). These accounts, specifically mentioned in two *MOUs*, are held by GLAZA for the direct benefit of the Zoo Department, i.e., operating costs not funded through the City budget.⁹ Specifically, the *Financial Assistance, Special Events, and Community Affairs MOU* specifies that GLAZA is to transfer a “gift” of unrestricted fundraising revenues into the ZAF each year. And while the *Concessions MOU* specifies that GLAZA is to transfer any excess commissions revenue into the ZSDF, based upon a suggestion by the CAO, since FY 2015 the Zoo Department annually transfers \$600,000 (a majority of ZSDF monies) to the City’s ZETF.

See Appendix IV for a schedule delineating revenues collected per MOU and distributions to the ZETF, ZAF, and ZSDF.¹⁰

GLAZA FUNDING

As the official support organization for the Los Angeles Zoo & Botanical Gardens, GLAZA is an independent not-for-profit corporation organized for the purpose of establishing, developing, beautifying and improving the Zoo. While GLAZA is exempt from income taxes, it files an annual informational return per IRS requirements, and provides an Independent Audit of its annual financial statements to its Trustees and began posting its audited financial statements to its website in April 2017.

Based on GLAZA’s audited financial statements for FYs 2014, 2015 and 2016, GLAZA generated an average of \$15.9 million per year in support and revenues. Sources are attributable to membership program revenue (37%), contributions and grants (30%), and visitor amenities (19%), with some additional revenues from special events net of direct donor benefits, and investment income.

During this same period, GLAZA expended an average of \$15.0 million each FY. On average, 35% represented transfers to the ZETF or expenditures Zoo Department management requested GLAZA to make on their behalf from two funds (the ZAF and ZSDF mentioned above) maintained by GLAZA for the Zoo Department. The remainder were expenditures incurred for Zoo program

⁹ According to Zoo Department management, the ZAF and ZSDF are used for operating costs that are not funded through the City budget, and the monies in these accounts are typically spent by the end of each FY. The ZAF primarily funds conservation and research programs. ZSDF monies not transferred to the ZETF are primarily used for animal care equipment and supplies, training, travel, visitors’ surveys, etc. While both the ZAF and ZSDF amounts are held by GLAZA, Zoo Department management indicated that they control the use of the monies in these accounts by requiring approval signatures from the Zoo Department’s Chief Management Analyst and Assistant General Manager and/or General Manager.

¹⁰ The *Operating Agreement* and *Concession Agreement* also specify how GLAZA apportions shared revenues with the Zoo Department. As mentioned in the Consolidation and Clarity of Agreements section, certain *Operating Agreement* and *Concession Agreement* specifications conflict with MOU specifications and certain MOU specifications conflict amongst each other.

services delivered or performed by GLAZA on behalf of the Zoo (43%), general and administrative (13%), and fundraising (9%) activities.

As of June 30, 2017, GLAZA's assets included \$29.5 million in combined cash, cash equivalents and investments; \$4 million in receivables; and \$763,000 in other assets. GLAZA's net assets totaled \$31.3 million, of which \$21.5 million (69%) was unrestricted¹¹, \$7.7 million (25%) was temporarily restricted; and \$2.1 million (7%) was permanently restricted.

PRIOR AUDITS & REPORTS

Concerns regarding the City's administration of agreements with GLAZA stretch back for decades, even before the City created the Zoo Department in 1997. In fact, in 1990 when the Los Angeles County Grand Jury evaluated the City's relationship with GLAZA, the Grand Jury reported multiple findings but two remain relevant to our current review. Specifically, the Grand Jury found: 1) the prior *Operating Agreement* and current *Concession Agreement* had been poorly written; and, 2) the City did not exercise its authority to audit and monitor concession operations, nor did it independently audit concession receipts. The Grand Jury concluded that "weak management" and certain provisions in the agreements with GLAZA hampered the City's ability to "fulfill its duty to manage the Zoo."

In December 2002, the Controller's Office issued its "Report on the Greater Los Angeles Zoo Association" that identified subpar fundraising performance by GLAZA and a potential over-retention of millions in revenues due to the City from the Membership Program and Concessions Program. At the time, both GLAZA and the new interim Zoo Director disagreed with the audit's finding regarding the shared revenues.

Subsequent audits by the Controller's Office in 2005 and 2009 noted that recommendations relating to the City Attorney providing a legal opinion on the possible over-retention of shared revenues remained outstanding, and noted the Zoo Department and GLAZA had been operating from expired *MOUs*. The 2009 audit also recommended the Zoo Department complete a cost-benefit analysis on the feasibility of directly contracting for concession services. However, due to reported staffing shortages, the Zoo Department did not conduct this cost-benefit analysis.

¹¹ However, \$19.2 million was Board-designated for endowment and certain projects.

ACCOUNTABILITY & PERFORMANCE METRICS

While evaluating the *Operating Agreement*, *Concession Agreement*, and *MOUs* that the City and/or Zoo Department have with GLAZA, we found that they generally lack specification as to the extent of oversight the Zoo Department is expected to provide over GLAZA and their shared revenue arrangements, which include membership, concessions, and site rentals (among others).

The Zoo Department needs to enhance its oversight of GLAZA through increased accountability and the use of a robust set of metrics to monitor GLAZA's performance.

According to interviews with Zoo Department management, the Zoo Department's oversight of GLAZA is limited. For example, the Zoo Department does not: 1) compare GLAZA's reported shared revenues and expenses to GLAZA's general ledger of historical detailed trial balances; 2) review any of GLAZA's or GLAZA's subcontracted Concessionaire's internal controls to ensure completeness and accuracy of reported shared revenues; 3) review any of GLAZA's deductions from shared membership or night-time ticketed event revenue; or, 4) require GLAZA to submit a yearly actual versus budget comparisons of shared revenue calculations for each MOU. While it is a City contractor subject to oversight and monitoring by the Zoo Department, GLAZA holds a unique role in its relationship with the Zoo, and is seen more as a partner than a contractor. This has raised questions as to GLAZA's compliance with the terms of its agreements with the City as delineated in the Consolidation and Clarity of Agreements section of this report.

In addition, although the *Concession Agreement* requires that the Zoo Department receive: 1) a monthly profit and loss statement on concession sales each month with a breakdown of expenses and net income for concession activity; and, 2) an annual Income Statement and a Balance Sheet for the Concessionaire's concession operations prepared by an independent Certified Public Accountant, we found that these reports are not being prepared or provided to the Zoo Department and GLAZA. However, these reports would be a good mechanism to help GLAZA and the Zoo Department monitor the Concessions Program and to negotiate revenue-sharing arrangements.¹² GLAZA management indicated that it will be issuing a RFP for Concession Services in the near future and the subsequent contract will contain a requirement to provide these reports to the Zoo Department as required by the *Concession Agreement*.

Further, this review evaluated a small sample of GLAZA expenses deducted from shared membership and night-time ticketed events revenue. While the costs were supported by documentation, we were unable to conclude on the reasonableness of the expenses, as GLAZA's Accounting Policies, Procedures, and Internal Controls (written policies and procedures) are insufficient. Specifically, GLAZA's procedures require its managers to "investigate new vendors

¹² The 1981 *Concession Agreement* required GLAZA to provide the reports described in the preceding paragraph to Zoo Department management. This was when GLAZA directly operated the Zoo's concessions. In 1997, the *Operating Agreement* reaffirmed the terms of the *Concession Agreement*, but allowed GLAZA to subcontract its concession function. GLAZA then entered into an agreement with Service Systems Associates (Concessionaire) effective October 1, 1997 and has managed the Concessionaire since this time; however, its contract with the Concessionaire did not include the requirement to provide the required financial reports to Zoo Department or GLAZA management.

during the budgeting process and whenever goods and services are needed. For large purchases, department managers obtain quotes from several reputable vendors.” However, the written policies and procedures do not specify what constitutes “large purchases,” how to document and retain RFP submissions and price-quotes, and what type of documentation is required before a vendor can be used and a payment can be issued.

Upon inquiry of Zoo Department management, we learned that they do not have sufficient staffing levels to provide detailed fiscal oversight of agreements with GLAZA. The Zoo Department also has staffing shortages in other critical areas such as animal keepers, maintenance construction helpers, and curators, as delineated in the Long Term Governance of the Zoo section of this report.

Given the lack of staffing to provide detailed fiscal oversight, Zoo Department management could improve accountability by using a robust set of performance metrics to monitor GLAZA’s program and fundraising performance.

Our review of agreements (i.e., *Operating Agreement*, *Concession Agreement*, and *MOUs*) found that they do not include adequate performance metrics to evaluate GLAZA’s performance. For many years, GLAZA and the Zoo Department have operated from expired *MOUs*, and most of the performance expectations contained therein with the exception of a prior FY 2013 *Marketing and Public Relations & Site Rentals/Catered Events MOU*, were based on GLAZA’s budgeted revenues and expenses for the upcoming year. However, in comparing the FY 2013 *Marketing, Public Relations, Site Rentals, & Catered Events MOU* to the FY 2017 *MOU*, significant performance metrics were removed. Specifically, the FY 2017 *MOU*: 1) no longer includes a minimum investment by GLAZA; 2) removed several performance metrics related to expected increases in Zoo revenues; and, 3) authorized a \$1.6 million Marketing Refund to GLAZA without it being distinctly tied to its performance. For FY 2017 none of the *MOUs* contain performance metrics that require comparisons to the results from prior years, or to other zoos to gauge GLAZA’s performance. To drive improvements and focus resources towards reaching a target, it is critical that performance metrics be established to evaluate GLAZA’s performance, as a contractor and fundraiser for the City.

Based upon the programs currently managed by GLAZA, we offer the following potential data points that City management can use to develop goals and performance metrics for GLAZA, that could then be evaluated on a quarterly and a multi-year basis. Different from the metrics that should be used to assess the Zoo’s overall performance toward meeting its strategic goals in its Business Plan, these performance metrics would be focused on evaluating GLAZA’s program and fundraising activities and could be used to compare against prior years and other similarly sized/situated zoos. Any differences in planned versus actual results should be analyzed and addressed. See the following Table for potential data points that could be used to develop a robust set of performance metrics.

Special Review of the Governance Arrangement between the Zoo and GLAZA

Accountability & Performance Metrics

GLAZA Responsibilities Per MOUs –Potential Data Points for Performance Metrics		
Corresponding MOU	Program	Relevant Program Data Points
Membership, Publications, & Volunteers	Membership	<ul style="list-style-type: none"> - Membership revenue/expenses - Membership revenue provided to Zoo Department - Membership expenses (direct versus indirect, staffing versus non-staffing) - Number of new and renewed memberships - Number of individuals within memberships - Market saturation – membership individuals
	Publications	<ul style="list-style-type: none"> - Publication expenses (direct versus indirect, staffing versus non-staffing) - Success rate of membership solicitation campaigns
	Volunteer	<ul style="list-style-type: none"> - Number of volunteer hours - Number of volunteers per type (e.g., docent, general, student, internship, animal care) - Volunteer expenses (direct versus indirect, staffing versus non-staffing) - Number of school tours - Number of volunteer training classes offered/attendance
Concessions	Concessions	<ul style="list-style-type: none"> - Food, merchandise, and amenities revenue - Food, merchandise, and amenities revenue per capita - Food, merchandise, and amenities revenue provided to the Zoo Department - Exclusive or official product revenue received - Exclusive or official product revenue provided to the Zoo Department
Financial Assistance, Special Events, & Community Affairs	Fundraising	<ul style="list-style-type: none"> - Unrestricted fundraising revenue received - Restricted, bequests, and gifts fundraising revenue received - Business sponsorships received - GLAZA expenditures on Zoo capital projects - GLAZA expenditures to benefit the Zoo or Zoo Department - GLAZA fundraising expenditures (direct versus indirect, staffing versus non-staffing) - Unrestricted fundraising revenue provided to the Zoo Department
	Special Events	<ul style="list-style-type: none"> - Number and type of special events
	Community Outreach	<ul style="list-style-type: none"> - Number and type of community outreach events
Marketing and Public Relations, & Site Rentals/ Catered Events	Marketing & Public Relations (Non-Animal)	<ul style="list-style-type: none"> - Number of night-time ticketed events - Night-time ticketed events revenue/expenses - Night-time ticketed events revenue provided to the Zoo Department - Attendance versus total spend on advertising (advertising spend per visitor) - Marketing refund provided to GLAZA - Market saturation – attendance - Number of regular paid zoo attendance - Zoo admissions revenue
	Site Rentals / Catered Events	<ul style="list-style-type: none"> - Site rental revenue/expenses - Catering revenue/expenses - Site rental & catering revenue provided to the Zoo Department

Further, regarding GLAZA's marketing of the Zoo's Daytime Admissions Program, in a June 21, 2013 memorandum to the City's Budget and Finance Committee, the CLA questioned whether the transfer of marketing responsibility to GLAZA would financially benefit the City.¹³ After assuming daytime admissions marketing responsibilities, GLAZA did not meet its performance metrics and as a result, GLAZA did not obtain the full Marketing Refund from the Zoo Department that it anticipated.¹⁴ On March 19, 2015, Zoo Department management requested City Council to authorize an amendment to the *Marketing, Public Relations, Site Rentals, & Catered Events MOU*, allowing GLAZA to include net night-time ticketed events revenue to meet the performance metric originally structured to measure only daytime admissions revenue increases. This metric was used to calculate GLAZA's Marketing Refund. However, as previously mentioned, the FY 2017 *Marketing, Public Relations, Site Rentals, & Catered Events MOU* no longer includes performance metrics related to expected increases in Zoo revenues and authorized a Marketing Refund to GLAZA without being distinctly tied to its performance. Although GLAZA has since generated substantially more revenue from night-time ticketed events (e.g., Zoo Lights, Roaring Nights, and Brew at the Zoo), these events represent a new stream of revenue that could have been tracked and measured separately to ensure there is adequate monitoring of projected increases of daytime admissions revenue and attendance.

For a summary of the Zoo's historical gate attendance from FY 2002 - 2016, see Appendix V.

Recommendations

Insofar as the current governance structure and operational responsibilities exist,

Zoo Department management should:

- 1. Establish stronger fiscal controls and oversight of revenue-sharing arrangements with GLAZA, such as by requiring GLAZA to submit annual actual versus budget comparisons of shared revenues per MOU, and comparing GLAZA's reported revenues and expenses to GLAZA's general ledger of historical detailed trial balances.**
- 2. Enhance oversight of the Concessions program by requiring the internal controls used by the Concessionaire to be reviewed on a periodic basis, to ensure the completeness and accuracy of reported revenues. In addition, as specified by the Concession Agreement, require: a) the submission of a monthly profit and loss statement on concession sales each**

¹³ In the June 21, 2013 memorandum issued to the City's Budget and Finance Committee, the CLA indicated: "it appears, net revenues from paid admission that are achieved above and beyond what the Department would otherwise retain from annual admission [fee] increases, will revert to GLAZA and will not benefit the City's General Fund or the Zoo Department directly. Although the MOU projects that the Department will achieve increased revenues from additional membership and concessions, these increases could be realized with increased attendance and would not require the MOU to do so."

¹⁴ In FYs 2014, 2015, and 2016, GLAZA received the following Marketing Refunds: \$0, \$761,057, and \$1,590,540, respectively. The original MOU authorized the Marketing Refunds of up to: \$591,596, \$1,308,820, and \$2,169,074 respectively for each of these FYs based on the amount of anticipated increased revenue to the Zoo Department.

month with a breakdown of expenses and net income for concession activity; and, b) the annual submission of an Income Statement and a Balance Sheet for the Concessionaire's concession operations, prepared by an independent Certified Public Accountant.

3. Work with GLAZA to develop adequate policies and procedures to ensure reasonableness of costs. These could include a requirement to issue RFPs and/or obtain quotes from vendors for frequent purchases or purchases more than a certain dollar amount, as well as ensuring retention of related documentation that justifies the vendor selection.
4. In consultation with the CAO and CLA, develop a robust set of performance metrics, using the potential data points identified by this review while considering City expectations, to facilitate monitoring GLAZA's performance in areas related to their contractual responsibilities. Compare the results over time, and to other similarly sized/situated zoos.

PUBLIC TRANSPARENCY

In recent years, the City has gone to great lengths to increase its public transparency by posting information on its budget, payroll, purchasing, revenue, assets and liabilities, and other statistics. Similarly, the demand for financial accountability by not-for-profit organizations has increased. We identified the need to enhance transparency, not only within the various agreements between the City and Zoo Department, but also with the amount of financial information GLAZA shares with the public.

GLAZA's detailed financial activities should be made public for Angelenos and donors.

In recent years, the City has dramatically increased its transparency by publicly posting significant amounts of financial information on its website. The public expects accountability of government and public institutions through financial transparency.

Charitable organizations are also embracing the values of accountability and transparency as a matter of ethical leadership, legal compliance, and to help preserve the very important trust each donor places in a not-for-profit through their contribution. Although GLAZA is a separate not-for-profit corporation, it exists for the primary purpose of establishing, developing, beautifying, and improving the City's Zoo. Currently, even though GLAZA exists solely to support the Los Angeles Zoo, it does not publically post its detailed financial transactions, though high level financial information is available through its annual U.S. Internal Revenue Service (IRS) information returns and audited financial statements.

To provide more accountability and transparency, in line with public expectations, GLAZA should begin to provide the details of its operational revenue and expense transactions online, to be as financially transparent as the City and the Zoo Department.¹⁵ Although GLAZA began including their audited financial statements on its website in April 2017, donors, GLAZA members, and all Angelenos should have access to the same amount and type of detailed financial information transparently provided by the City as GLAZA is an integral part of the City's Zoo operations.

GLAZA management indicated that because it is not a government organization and receives no taxpayer funding, it does not publicize its detailed transactional financial information. Further, management emphasized that GLAZA is an independent not-for-profit organization governed by a Board of Trustees with a fiduciary duty to the organization, and that the Zoo Director attends the Board of Trustees meetings and Board Committee meetings, and is present when GLAZA's financial matters are discussed.¹⁶

¹⁵ When initiating this review, GLAZA management sent correspondence to our Office requesting that its General Counsel serve as our point person to process all questions and document requests, and its General Counsel requested to be present during all interviews of GLAZA staff. The correspondence also indicated that as a private organization, GLAZA retained all rights related to privacy laws.

¹⁶ GLAZA management also indicated that it fully complies with all state and federal laws regarding not-for-profit reporting and disclosure.

Further, similar to leading practices found with the Huston Zoo and LACMA, the Zoo Department should include GLAZA's federal 990 forms on its website. LACMA also includes its Policy on Review of Executive Compensation on its website, which serves to enhance public transparency.

Agreements with GLAZA require more transparency.

While reviewing the agreements between the Zoo Department and GLAZA, we found that the *Membership, Publications, and Volunteer Programs MOUs* for FYs 2012 and 2017 delineated only the total costs of each program that GLAZA was authorized to deduct from shared revenues. These *MOUs* did not provide a breakdown of direct staffing and non-staffing expense estimates, nor did they provide any indirect staffing and non-staffing expense estimates for each program. Considering that GLAZA has deducted more than \$6.3 million, or 61% of its \$10.3 million total indirect expenses between FYs 2012 to 2016 from shared membership revenues, this information needs to be delineated to City management, which would also enable the Zoo Department to properly monitor the fiscal sharing arrangements.

Further, we noted that the transparency of agreements with GLAZA can be enhanced by delineating the value of "in-kind" support being provided by the Zoo Department. For example, based upon a review of the MOU between Milwaukee County and the Milwaukee Zoo's associated not-for-profit, the Milwaukee MOU delineates all the support, including "in-kind" support being provided to the not-for-profit by Milwaukee County and by the not-for-profit to Milwaukee County, quantified into a dollar value. The MOU contains a listing, with estimated dollar values, of the free admissions provided to the not-for-profit's members, a dollar value of food and merchandise discounts provided to the not-for-profit's members, facility costs, etc. The Milwaukee MOU also requires that for each capital project, Milwaukee County and the associated not-for-profit execute a separate specific agreement describing sources and uses of funds, procedures for transferring the not-for-profit's share of project costs to Milwaukee County, program management, project schedule, and other specific arrangements. During our March 13, 2018 meeting with Zoo Department and GLAZA management, GLAZA representatives indicated that they believe the inclusion of "in-kind" support in agreements would lead to further confusion, but we believe that the practice of delineating "in-kind" support would help to ensure that the City has negotiated revenue-sharing terms with GLAZA that are mutually beneficial.

Recommendations

Insofar as the current governance structure and operational responsibilities exist,

Zoo Department management should:

- 5. Include GLAZA's federal form 990 forms for multiple years on the Zoo's website, and include GLAZA's policy on executive compensation.**

6. **Ensure all agreements with GLAZA clearly delineate the estimated dollar value of all “in-kind” support (e.g., facilities, free admissions for members, value of merchandise discounts to members, in-kind staff support, etc.) provided by the City to GLAZA and by GLAZA to the City.**

GLAZA management should:

7. **Make publicly available via the internet, all detailed transactions related to payroll expenses, purchases, revenues, etc.**

CONSOLIDATION & CLARIFICATION OF AGREEMENTS

During initial meetings with the Zoo Director and GLAZA President, both indicated that there is much ambiguity and inconsistency amongst the *Operating Agreement*, *Concession Agreement*, and *MOUs*, which need to be clarified and streamlined. This review strongly echoes this sentiment. We recommend that representatives from the Zoo Department, OCA, CLA, CAO, and GLAZA work together to renegotiate, streamline, and clarify GLAZA's responsibilities and revenue-sharing terms into one agreement. In conducting these renegotiations, we highlight the following areas for consideration.

Poorly written and conflicting terms in agreements (*Operating Agreement* and *MOUs*) give rise to questions about GLAZA retaining more shared membership revenue than may have originally been intended.

We found inconsistencies between the *Operating Agreement*, *FY 2012 Membership, Publications, & Volunteer Programs MOU*, and the *FY 2012 Financial Assistance, Special Events & Community Affairs MOU*. The Zoo Department and GLAZA operated from these agreements between FYs 2012 and 2016.¹⁷ While the *FY 2012 Membership, Publications, & Volunteer Programs MOU* authorized GLAZA to deduct a majority (up to 59%) of shared membership revenues for its Membership Program costs, both the 1997 *Operating Agreement* and the *FY 2012 Financial Assistance, Special Events & Community Affairs MOU* include terms that appear to limit the amounts GLAZA can deduct.¹⁸ Specifically, the *Operating Agreement* appears to limit GLAZA's retention of membership fees to 25% for its administrative costs and the *FY 2012 Financial Assistance, Special Events & Community Affairs MOU* appears to require GLAZA to underwrite **all** of its indirect expenses (e.g., administrative, information technology, special events, and volunteers etc.).^{19 20}

¹⁷ Although the *MOUs* expired at the end of FY 2012, the Zoo Department and GLAZA agreed to operate based upon the expired *MOUs* through FY 2016.

¹⁸ The *MOUs* are signed agreements negotiated between the Zoo Department and GLAZA while the 1997 *Operating Agreement* is a signed agreement that was negotiated between the City and GLAZA.

¹⁹ The 1997 *Operating Agreement* specifies: a) GLAZA may use a portion of fees charged for membership in the Zoo for its administrative costs. From each family, individual, and other membership fee, GLAZA shall retain for such purposes 25% of each fee; b) From each family, individual, and other membership fee, GLAZA shall remit 25% to the City; and, c) The remainder of monies received from membership fees shall be deposited into the City's ZETF unless the Zoo Director and GLAZA enter into an *MOU* requiring GLAZA to perform services for the Zoo Department. If the *MOU* does not allocate the remaining monies received from membership fees, all such unallocated fees shall be deposited into the ZETF.

²⁰ The *FY 2012 Financial Assurances, Special Events & Community Affairs MOU* specifies: As a result of all its unrestricted fundraising efforts, GLAZA will gift the sum of \$365,000 to the Zoo Assistance Fund for public relations, marketing, and conservation efforts, and will **entirely** [emphasis added] underwrite the costs of the GLAZA departments and activities discussed herein, such as Development, Information Technology, Special Events, Volunteers, and other GLAZA produced or sponsored activities that "complete" the total operations of the Los Angeles Zoo, as well as the costs for finance and administration of GLAZA, including insurance. This term appears to indicate that unrestricted fundraising revenue are to fund GLAZA's indirect expenses. We noted that GLAZA modified the FY 2016 *MOU* by removing the word "entirely." GLAZA management indicated the edit was made to remove inconsistencies with the *Membership, Publications, and Volunteer Programs MOU*, but we found that Zoo

Special Review of the Governance Arrangement between the Zoo and GLAZA

Consolidation & Clarification of Agreements

The following table delineates GLAZA's retention and distribution of shared membership revenue from FYs 2014 to 2016, in which nearly \$4 million had been deducted for its indirect expenses.

Actual Distribution of Membership Revenues Received					
	FY 2014	FY 2015	FY 2016	Total	%
Gross Membership Revenues Received	\$ 5,506,521	\$ 6,253,304	\$ 6,114,242	\$ 17,874,067	100%
Less: Amount Transferred to the Zoo's ZETF	(1,363,145)	(1,546,016)	(1,788,476)	(4,697,637)	(26%)
Less: GLAZA's Direct Expenses for Membership Program	(1,867,756)	(1,937,030)	(2,013,542)	(5,818,328)	(33%)
Less: GLAZA's Direct Expenses for the Publications Program	(579,704)	(535,030)	(506,705)	(1,621,439)	(9%)
Less: GLAZA's Direct Expenses for the Volunteer Program	(263,153)	(275,492)	(303,294)	(841,939)	(5%)
Less: GLAZA's Indirect Expenses	(1,189,104)	(1,302,811)	(1,502,225)	(3,994,140)	(22%)
Less: Working Capital to Support Marketing and Public Relations Programs for GLAZA	(243,659)	(656,925)	0	(900,584)	(5%)
Remainder of Shared Revenues Allocated the Zoo Department	0	0	0	0	0%

During FYs 2012 and 2013, GLAZA deducted \$1,199,189 and \$1,150,411, respectively, from shared membership revenue for its indirect expenses. Thus, between FYs 2012 and 2016, GLAZA deducted a total of \$6.3 million (\$4.0 million and \$2.3 million) for its indirect expenses from shared revenues.

Based upon the terms of the *Operating Agreement* and the FY 2012 *Financial Assistance, Special Events & Community Affairs MOU*, it appears that GLAZA should not have deducted its indirect expenses from shared membership revenues between FYs 2012 and 2016. However, since the Zoo Department entered into the *Membership, Publications, & Volunteer MOU* for FY 2012 with GLAZA, which allowed them to effectively retain 59% of shared membership revenues to offset their expenses, *it appears the Zoo Department authorized additional deductions by GLAZA for its indirect expenses.*^{21 22}

Department management had been unaware of the edit. This occurrence indicates that the Zoo Department needs better controls to ensure all revenue-sharing modifications are agreed upon, and transparently delineated to all parties prior to the agreements' formal execution.

²¹ It is also questionable whether shared membership revenues retained by GLAZA for managing the Volunteer Program is allowable.

²² We also noted that GLAZA deducted \$6.3 million (61%) of its \$10.3 million indirect expenses from shared membership revenues between FYs 2012 and 2016 without having a sound basis to support the deductions. Although GLAZA uses a spreadsheet that allocates percentages of its indirect expenses to the Membership Program, Publications Program, and Volunteer Program, GLAZA management indicated that the percentages had been developed many years ago and they did not have any documentation to support how the percentage allocations were developed.

Special Review of the Governance Arrangement between the Zoo and GLAZA

Consolidation & Clarification of Agreements

The Zoo Department and GLAZA operate from expired MOUs and certain departures from MOU specifications were not formally documented.

For many years, GLAZA and the Zoo Department have operated from expired *MOUs*. From FYs 2014 through 2016, the Zoo Department and GLAZA operated from three *MOUs* that had expired on June 30, 2012. Further, for much of FY 2017, the Zoo Department operated from unexecuted *MOUs* with GLAZA, with the four *MOUs* being formally executed only in May 2017, the month prior to them expiring. We believe part of the reason for this occurrence is that most of the *MOUs* covered a period of one year. See the Table below.

Operating from Expired MOUs			
MOU	Prior MOU Coverage	# of Years Operating from Expired MOU	Subsequent MOU Coverage
Membership, Publications, & Volunteer	July 1, 2011 - June 30, 2012	4 Years	July 1, 2016 - June 30, 2017
Financial Assistance, Special Events & Community Affairs	July 1, 2011 - June 30, 2012	4 Years	July 1, 2016 - June 30, 2017
Concessions	July 1, 2011 - June 30, 2012	4 Years	July 1, 2016 - June 30, 2017
Marketing & Public Relations, Site Rentals & Catered Events	July 1, 2013 – June 30, 2016	None	July 1, 2016 – June 30, 2017
Carousel	2011-2017	None	N/A ²³

The Zoo's three-year Strategic Business and Marketing Plan also expired as of July 2017.^{24 25}

Moreover, pursuant to the FY 2012 *Membership, Publications, & Volunteer Programs MOU*, GLAZA was authorized to deduct \$812,308 from shared membership revenue to run the Publications and Volunteer programs. However, GLAZA deducted \$1.1 million, \$1.1 million, and \$1.2 million, in FYs 2014, 2015 and 2016 respectively. Zoo Department management indicated they had been aware that GLAZA was deducting more for these programs each year, even though they did not officially approve the increases or review the specific costs.

²³ This MOU expired in February 2017 when the Zoo Department assumed the responsibility for operating the Zoo's carousel.

²⁴ Per LAAC Chapter 27, Article 1, Section 22.711 the Zoo's Business Plan must contain marketing and financial projects for the Zoo for a maximum period of 5 years, and include but not be limited to, methods to attract additional visitors and funds to the Zoo and calculations of funds anticipated to be received from fund raising, admissions (paid attendance) at the Zoo, City General Fund, membership, grants, concession(s), and other commercial enterprises.

²⁵ On February 7, 2018, the Zoo Department submitted a one-year Business and Marketing Plan for FY 20-18 to City Council, indicating a multi-year plan will be developed that addresses recommendations contained in this Special Review.

A renegotiation, consolidation, and clarification of all agreements (i.e., *Operating Agreement*, *Concession Agreement*, and *MOUs*) with GLAZA could result in the Zoo Department receiving additional revenue for its operations.

Opportunities to Enhance Shared Revenues with the Zoo Department

Exclusive or Official Product and Service Agreement Revenues. To manage the Concessions Program, GLAZA received \$1,037,439 from FYs 2014 through 2016. However, this amount does not include additional revenues GLAZA received from other vendors and the Concessionaire due to its management of the Concessions Program. For example, GLAZA received \$567,706 in exclusive or official product and service agreements revenue. A portion of the exclusive or official product and service agreement revenues are not currently shared with the Zoo Department.

Free Benefits Provided to GLAZA Members and Business Sponsors. To price membership bundles, GLAZA uses an agreed upon recoup rate. The recoup rate refers to the ratio between the cost of daily admission prices and the cost of an annual membership. It is a measure of how many visits at regular price it would take to recoup the cost of a membership. The recoup rate was 2.0 for FY 2016-17, and prior to July 1, 2016, the recoup rate was 1.9.

While reviewing the FYs 2012 and 2016 *Membership, Publications, and Volunteer Programs MOUs* we noted that GLAZA's membership bundles include free guest passes to the Zoo. However, these free guest passes are not factored into the membership price and recoup rate but they entice Zoo patrons to purchase a membership package. It is critical that the membership packages be fairly priced with consideration of admission prices. If the price of membership packages is too low, it can reduce Zoo admission ticket sales. Admission ticket sales are critical because they fund approximately 70% of the Zoo Department's operating costs; while the Zoo Department receives all revenue from admission ticket sales, it receives only 26% of membership sales revenue.²⁶

For example, as part of GLAZA's family membership bundle and higher-level membership bundles (i.e., family deluxe, contributing associate, wildlife associate, and conservation associates) GLAZA used to provide up to 12 free guest passes for each bundle purchased.²⁷ GLAZA provided its members between FYs 2014 and 2016 with more than 332,000 free guest passes; 65,500 (20%) were redeemed. These guests are not GLAZA members, thus the Zoo Department could receive a negotiated fee for all free guest pass redeemed. Similarly, the Zoo Department could also negotiate reimbursement for free guest passes redeemed by GLAZA's business sponsors; however, this would decrease GLAZA's sponsorship revenues.²⁸ Zoo Department management

²⁶ Based upon GLAZA's accounting records for shared revenue distributions between FYs 2014 and 2016.

²⁷ According to GLAZA, since FY 2016, the number of free guest passes provided to its members had been reduced and currently, GLAZA offers 2-4 free guest passes to certain membership levels.

²⁸ GLAZA also provides free guest passes to its business sponsors. Based upon information provided by GLAZA, between FYs 2014 and 2016, GLAZA provided 2,314 free guest passes to its business sponsors, of which 227 (10%)

indicated that it has not requested any reimbursement from GLAZA for the redemption of any free guest passes provided by GLAZA to its members and business sponsors.

Family Membership Bundles May Be Too Incentivized. GLAZA's family membership bundles do not limit the number of children or grandchildren that can be included in a family membership.²⁹ Coupled with GLAZA's free member benefits and discount offers, the family and family deluxe membership bundles are favorable. Zoo Department management indicated that they do not review or approve any membership discount promotions offered by GLAZA. However, given that membership package discounts change the recoup rate and can devalue the benefit of purchasing Zoo admission tickets, Zoo Department management should review and approve all discount promotions offered by GLAZA for its membership bundles if they deviate from the prices formally agreed upon by the Zoo Department. Or, if membership package discounts cause a drop to an agreed-upon recoup rate, it could be negotiated into future agreements that GLAZA share a higher portion of the membership revenue with the Zoo Department.

Due to conflicting terms between the *Concession Agreement* that GLAZA has with the City and the separate contract that GLAZA has with the Concessionaire, the Zoo Department has not received all concessions revenue it was entitled to.

The contract between GLAZA and the Concessionaire has a clause that appears to conflict with the *Concession Agreement*. The contract clause specifies:

*All Zoo and GLAZA staff (full time and part time) and volunteers shall receive a ten percent (10%) discount on food and beverage purchases and twenty percent (20%) on merchandise purchases. GLAZA members shall receive a ten percent (10%) discount on food and beverage purchases and ten percent (10%) on merchandise purchases. Operator agrees to honor these discounts during the term of this Agreement. **Gross receipts from these sales will be reported to GLAZA, monthly, but commission payments will not be made on these sales**" [emphasis added].*

The emphasized term conflicts with different terms in the *Concession Agreement* between the City and GLAZA, which requires that the City receive 10% of gross receipts from concessions revenue. The *Concession Agreement* defines gross receipts as the total amount of all sales or the amount charged for the performance of an act, excluding any cash discounts allowed or taken on sales and any sales or use tax added to the purchase price of an item.³⁰ Thus, all sales, less any

were redeemed. Again, the Zoo Department neither requested nor received any reimbursement from GLAZA for these redeemed free guest passes.

²⁹ GLAZA management indicated there are unpublished limits on the total number of children and grandchildren allowed per membership level.

³⁰ The *Concession Agreement* and *Concessions MOU* between the Zoo Department and GLAZA do not authorize any exclusion of discounted sales to Zoo Department employees, GLAZA employees, or Zoo volunteers from

Special Review of the Governance Arrangement between the Zoo and GLAZA

Consolidation & Clarification of Agreements

discounts provided, should be included in gross receipts when calculating the amounts due to the Zoo Department.

Upon discussing this discrepancy further, GLAZA management indicated that the Concessionaire has deemed the following sources of revenue as non-commissionable:³¹

- All food purchases by Zoo Department employees, GLAZA employees, and volunteers/docents.
- All food purchases for GLAZA or Zoo Department internal events, such as GLAZA Board Meetings, Zoo Commission Meetings, etc.
- All food purchases for internal business meetings (client, donor, vendor, etc.) held in the offices of the Zoo Director or GLAZA President.
- All snack purchases for Zoo-wide staff meetings.

Zoo Department management indicated they do not review the contracts GLAZA has with the Concessionaire and they were not aware of the conflict between GLAZA's contract with the Concessionaire and the *Concession Agreement*.³² Based upon reports provided by GLAZA, the Concessionaire deemed \$363,281 of its sales as non-commissionable during FYs 2014 to 2016, which resulted in the Zoo Department being underpaid \$36,328 (10% of the sales deemed non-commissionable) in concession revenue due per the *Concession Agreement*.

Moreover, we found that the Concessionaire has been providing Zoo Department employees, GLAZA employees, and Zoo volunteers with a 50% discount on food purchases that does not correspond to the contract GLAZA has with the Concessionaire. According to GLAZA, this discount is offered because the Zoo is not located near other food outlets and employees/volunteers are not able to drive elsewhere for their meals. However, the 50% discount is much larger than the 10% discount delineated in the contract between GLAZA and the Concessionaire. Any discounts provided by the Concessionaire to Zoo Department employees, GLAZA employees, and Zoo volunteers should be discussed with the OCA to ensure adherence to the City's rules, regulations, and mandated disclosure requirements. Further, to enhance transparency, all approved and negotiated discounts should be delineated in applicable agreements, MOUs, and contracts.

commissions. Further, the *Concession Agreement* and *Concessions MOU* do not specify any discount percentages provided to GLAZA members for food and merchandise purchases.

³¹ GLAZA confirmed that the Concessionaire is considering all sales to GLAZA members as commissionable.

³² GLAZA management indicated both the Zoo Director and Deputy Zoo Director have attended the GLAZA Board's Concessions Committee meetings where these contracts were reviewed and discussed.

Recommendations

Insofar as the current governance structure and operational responsibilities exist,

CLA, CAO, OCA, Zoo Department management should:

8. Renegotiate and clarify all agreements and MOUs with GLAZA, preferably consolidating into a single agreement. Further, consider and evaluate the following items during renegotiations:
 - a) Revising the revenue-sharing terms by discontinuing the practice of GLAZA's deducting its expenses from revenues shared with the Zoo Department, and consider allocating a fixed percentage of gross program revenues be distributed between the Zoo Department and GLAZA. If such a revision is not pursued, ensure the agreement(s) clearly delineate the direct and indirect expenses (if any) that are authorized to be deducted by GLAZA from shared revenues.
 - b) Ensure all applicable agreements with GLAZA, and any contracts GLAZA has with the Concessionaire, have consistent terms and accurately describe any discounts provided to Zoo Department employees, GLAZA employees and Zoo volunteers, while conforming to City rules and regulations and mandated ethics disclosure policies.

LONG TERM GOVERNANCE OF THE ZOO

The current governance arrangement under which there are contractual agreements between the Zoo Department and GLAZA is, in our opinion, the primary cause for concerns identified by this review. While the relationship between GLAZA and the City has been in place for more than 50 years, it has evolved into more of a partnership, per Zoo Department management, rather than a defined contractor relationship as established by the 1997 *Operating Agreement*, 1981 *Concession Agreement*, and subsequent *MOUs*. Further, some terms within these agreements are ambiguous, or even conflict, especially with regard to revenue-sharing terms, as noted in the previous section.

In 2012, the City attempted to change the Zoo's governance arrangement from being City managed by the City's Zoo Director, to being non-government managed by a not-for-profit organization. A consultant retained by the City indicated that a non-government managed arrangement could reduce the Zoo's costs and increase revenues through a combination of increased flexibility, increased fundraising opportunities, and the gradual transition of City employees to not-for-profit employees through attrition.

The City issued an RFP to have a non-government entity manage the Zoo, and GLAZA's proposal received the highest score. However, efforts for the Zoo to transition to non-government management ceased when the OCA identified several obstacles, including certain regulations preventing the supervision of City employees by a non-City supervisor.

This review identified several concerns that point to the need to revisit the Zoo's long-term governance arrangement once again, as discussed below.

The Zoo Department has staffing shortages.

The Zoo Department does not appear to be optimally staffed which may be inhibiting its ability to achieve its vision *to be an innovator for the global zoo community, creating dynamic experiences to connect people and animals*.

Nearly all Zoo Department managers expressed concerns with staffing, mentioning custodial staff most frequently. Zoo Department managers also mentioned staffing shortages with animal keepers, maintenance construction helpers, and curators. Some of the specific concerns include:

- **Custodial Staff:** There has been a 29% (14 to 10) reduction in custodial staff levels from FY 2008 to FY 2017. Two of the 10 custodians are also assigned to prepare animal feedings at the Zoo's commissary instead, further compounding the shortage of custodial staffing. With more than 1.8 million visitors to the Zoo each year, custodial staffing appears inadequate, this assessment is further confirmed by surveys of Zoo visitors between FYs 2015 and 2016 who rated the Zoo's cleanliness lower than visitors to other benchmarked zoos.

- **Curators:** The Zoo Department does not have a horticulture curator or a conservation curator. Without these curators the Zoo Department continues to:
 1. Voluntarily forgo the Zoo's certification as a botanical garden due to difficulties it has complying with certain mandates (i.e. inventorying botanicals, maintaining logs, and labeling more than 800 different plants and trees at the Zoo).
 2. Lack a formal, comprehensive, and coordinated conservation program focused on animals, plants, public participation, habitat restoration, conservation commerce, and "green" operations.³³

Also, Zoo Department management indicated that it requires another education curator to develop a formal school-based curriculum that meets California State Science Standards. The lack of this curriculum reduces the ability of teachers to obtain authorizations for student fieldtrips to the Zoo.³⁴ Based upon the Zoo Department's Historical Gate Attendance (Appendix V) there has been a 60% decrease (between FYs 2002 and 2016) in attendance by Los Angeles Unified School District (LAUSD) groups, Head Start Program participants, recreation and park center groups, and children under 2.

Part of the decrease may result from the lack of a formal school-based curriculum.³⁵ Further, not having a formal school-based curriculum that meets California State Science Standards may result in less Education Program revenues, as the Zoo Department charges a reduced entrance fee to non-LAUSD school groups. According to Zoo Department management, they recently surveyed teachers to identify their curriculum needs and plan to hire the additional education curator to re-establish a comprehensive school group program with curriculum that will meet California State Science Standards.³⁶

Additionally, the Zoo Department's Manager of Animal General Care indicated that due to staff shortages, when an animal keeper is on family medical leave, jury duty, worker compensation leave, vacation, or sick leave, it causes the other animal keepers to not only work faster, but also increase everyone's workload to ensure the entire animal collection is cared for. The Manager

³³ In FY 2017, GLAZA initiated a major effort to establish a \$3 million fund to realize the Zoo Director's desire to establish a formal, comprehensive, and coordinated conservation program for the Zoo. GLAZA's Special Conservation Action Network Initiative has raised more than \$1 million in financial support as of March 2018.

³⁴ Other zoos and aquariums such as the San Diego Zoo and the Long Beach Aquarium have developed formal school-based curriculums and offer tours that meet California State Science Standards.

³⁵ Zoo Department management indicated that the decrease may also result from reductions in school budgets for fieldtrip transportation costs.

³⁶ We further noted that the Zoo Department does not offer any of its tours in Spanish, while other cultural institutions in Los Angeles County do, such as LACMA.

of Animal General Care explained that the animal keepers' workload is already heavy without the additional workload from co-worker absences.³⁷

Further, based upon the conditions identified by this review, given the current governance structure and operational responsibilities, additional staffing is needed to enhance the Zoo Department's fiscal oversight of GLAZA. Such employee(s) could be dedicated to monitoring GLAZA's adherence to revenue-sharing arrangements and achievement of performance metrics. Currently, the Zoo Department has one senior accountant, one accountant, and three accounting clerks.³⁸

In FY 2008, the Zoo Department had 268 authorized positions; however this number has declined by 13% over the last ten years, to 233 regular authority positions for FY 2018. Zoo Department management indicated they have attempted to increase staffing through budget requests; but those were not approved by City policymakers, because the General Fund would need to cover the associated indirect costs.

We noted that the above conditions may be the result of changes to the Zoo Department's source of funding for its operations. According to the Zoo Director, in 2008, City Council directed the Zoo Department to eliminate its reliance on the General Fund for its direct operating cost. By FY 2015, the Zoo Department did so. It now covers all its direct costs with its operating revenues and accumulated reserves. However, between FY 2008 and FY 2017 the Zoo Department's ZETF fund balance, which is to provide financial stability for the Zoo, has decreased by 70% (\$10.4 million to \$3.1 million), as the Zoo Department spent more than it received in revenues during that time.

The Zoo has infrastructure shortcomings.

Zoo Department management reported shortcomings with the infrastructure of the Zoo. Managers indicated that the Zoo's animal collection is impressive, but parts of the Zoo's facilities are not. While conducting this review, we learned:

1. The Zoo lacks sufficient lighting coverage at night, which is a safety concern. Although a project is in place to install lights in portions of the Zoo, upon completion an estimated 1/3 of the Zoo will still have no lighting.

³⁷ According to Zoo Department management, they are completing an analysis of animal keeper staffing as part of the FY 2019 budget process.

³⁸ At its peak in FY 2010, Zoo Department management indicated that it had one fiscal systems specialist, one senior accountant II, one accountant, and five accounting clerks.

2. The Zoo lacks infrastructure to use recycled water to irrigate the grounds or to flush toilets. The Zoo uses “potable” water instead—a conservation concern.³⁹
3. The Zoo lacks an adequate drainage system for sewage, storm water, and pool water. Larger sewer pipes added over the years in the upper parts of the Zoo feed older, smaller pipes of the original sewer system in the lower areas of the Zoo, leading to stoppages.
4. The Zoo lacks a modern electricity system—one that facilitates control of and separate metering of smaller areas of the Zoo. Such a system would facilitate conservation by reporting electricity usage for individual components of an exhibit or other structure.
5. The Zoo Department lacks adequate automation for efficient communication, coordination, and recordkeeping amongst employees. For example, the Zoo Department uses a paper-based maintenance tracking system, which results in employees having to inquire repeatedly to ensure proper resolution of each animal exhibit maintenance issue. Enhancing real-time automation of various Zoo Department systems would allow its employees to coordinate their work more efficiently and effectively.⁴⁰

The above conditions exist because of other Zoo Department priorities and limited financial resources. It should also be noted that two-thirds of the Zoo’s infrastructure (i.e., water, gas, sewer, and electric delivery systems) date back to the 1960s. Additionally, before construction of the Zoo grounds at its current location, the land was a golf course with water and sewer systems buried to a reasonable depth. However, in constructing the Zoo grounds by adding hills, the existing infrastructure was covered with 5 or more feet of soil, making repairs costly.

Moreover, we learned that hand-held radios (provided to certain employees) and cell phones only function normally in about 80% of the 133-acre Zoo grounds, and do not work well (or at all) in the remainder. This may represent a safety concern as many Zoo Department employees use their cell phones or hand-held radios to remain in contact with other employees throughout the expansive Zoo grounds.

Addressing these conditions will help move the Zoo Department closer to achieving its vision, address the Mayor’s call for all City Departments to proactively mitigate or eliminate potential safety issues, and to contribute to and be responsible for the sustainability of Los Angeles.

³⁹ The Zoo’s parking lot has infrastructure for using recycled water in the planters. However, inside the Zoo, the infrastructure is not present.

⁴⁰ The Hogle Zoo reported significant increases in efficiency and employee satisfaction when they converted to an automated maintenance system.

The current governance arrangement appears to be inhibiting the Zoo from achieving its vision *to be an innovator for the global zoo community, creating dynamic experiences to connect people and animals.*

While the Zoo is City managed with the City's Zoo Director being exclusively responsible for its administration and management, GLAZA has assumed the responsibility of managing multiple programs including: memberships, publications, volunteers, concessions, special events, community outreach, marketing, public relations (non-animal), site rentals, and catered events.

Yet the long-standing lack of clarity and inconsistencies amongst the *Operating Agreement*, *Concession Agreement*, and *MOUs* have continued to perpetuate issues with interpretation of revenue-sharing arrangements. As a result, the Zoo Department may have received less funding than it was entitled to. Further, based upon discussions with Zoo Department and GLAZA management, the public is less willing to donate to the Zoo because it is part of City government.

Industry Opinions on Zoo Governance

In the book *Collaborative Governance: Private Sector Roles for Public Goals in Turbulent Times*, the authors point to a future where government institutions partner with non-government institutions to engage a “force multiplier”⁴¹ and accomplish objectives neither side could achieve alone. Government managed zoos are a discretionary service, yet their animal collections require 24 hour/7 day a week care, and these zoos are often competing for limited resources from city, county, and state entities. As a result, most zoos across the nation have transitioned to non-government management. A 2016 Benchmark Report of 67 AZA accredited zoos across the nation found that only 13 (19%) were government managed—as is the Los Angeles Zoo—with the vast majority (54 or 81%) being non-government managed. One well-known zoo-consulting firm noted that all but six AZA-accredited zoos receive some form of government subsidy, with an average subsidy of 30%-35% of total revenues.

According to an article entitled “*Characteristics of a world-class zoo or aquarium in the 21st century*,” government administrative bureaucracy can be stifling and government-run zoos may find it difficult to become “world-class.”⁴² The article indicated modern zoos and aquariums need the flexibility to: 1) recruit and hire the best personnel; 2) remove unproductive personnel more easily; 3) speed up decision-making processes; 4) take more risks; and, 5) be less subject to the vagaries of government funding and political cycles.

⁴¹ Donahue, J., & Zeckhauser, R. (2011), *Collaborative Governance: Private Sector Roles for Public Goals in Turbulent Times*. PRINCETON; OXFORD: Princeton University Press, p. 4.

⁴² Hutchins, M. and Smith, B. (2003), *Characteristics of a world-class zoo or aquarium in the 21st century*. *International Zoo Yearbook*, 38: 130-141.

The article goes on to say,

This does not mean that world-class zoos of the 21st century will never come from the ranks of government-run institutions, only that they may be less likely to do so. Enlightened government leadership could create the right conditions for a modern zoological institution to flourish (e.g. Roberts, 1995), but it would mean giving up many cherished and politically popular notions, such as job protection, minimum risk taking and an over-dependency on public funding of core operations (Anderson, 1994; Baker, 1994).

The article does highlight that non-government managed zoos can also have downsides, such as the possibility that the core mission of the institution could become secondary to public relations and fundraising, suggesting that privatized institutions must “take great care to balance their marketing and development activities with their efforts in conservation, science, and education.”

In an attempt to identify potential enhancements to the current governance arrangement, we contacted representatives of 13 zoos across the nation, including both government and non-government managed zoos (with one zoo declining to participate). See the Table below.

Governance Arrangements of Other Benchmarked Zoos	
Government Managed Zoos	Non-Government Managed Zoos
1. Washington D.C.: Smithsonian National Zoo	• New York: Bronx Zoo
2. Wisconsin: Milwaukee County Zoo	• Texas: Dallas Zoo
3. Washington: Point Defiance Zoo & Aquarium	• Colorado: Denver Zoo
4. Missouri: St. Louis Zoo	• Nebraska: Henry Doorly Zoo & Aquarium
5. Florida: Zoo Miami	• Utah: Hogle Zoo
	• Texas: Houston Zoo
	• Kansas: Sedgwick County Zoo
	• California: San Diego Zoo ⁴³

Government Managed Zoos - Leading Practices

Based upon our benchmarking, other government managed zoos are receiving supplemental funding for operations through a dedicated portion of sales or property tax. Further, one government managed zoo received a unique entity designation, while another government managed zoo reported positive results when it reduced the function of its associated not-for-profit to focus primarily on fundraising. Specifically:

- **Additional Funding Sources** - Three of the five zoos reported receiving additional funding through special sales or property taxes levied to help fund zoo operating expenses. Point Defiance Zoo’s (PDZ) Director described the sales tax it receives as “very effective” because the zoo does not need to compete with other programs or other city management needs, and it provides a solid financial base for the zoo. The two zoos that do not receive sales or

⁴³ San Diego Zoo declined to participate in our benchmarking survey.

property taxes are Zoo Miami and the Smithsonian National Zoo. Zoo Miami relies instead on its operating revenues and a fluctuating subsidy from Miami-Dade County. A Zoo Miami representative indicated, “It is difficult to run a zoo with fluctuating revenue where food and labor costs rise steadily year after year.” As for the Smithsonian National Zoo, the federal government funds approximately 60% of its operating revenue, while donations, concessions and other earned operational revenue fund approximately 40%. Admission to the National Zoo is free. This review also found that several non-government managed zoos, such as the Sedgwick County Zoo, St. Louis Zoo, Utah’s Hogle Zoo, and Denver Zoo also receive supplemental funding through either a sales or property tax.

- **Alternative Governance Structures for Government Managed Zoos** - Governance of the St. Louis Zoo (SLZ) is by a unique State-designated government agency, the St. Louis Zoological Subdistrict, whose Subdistrict Commission governs the zoo--and nothing else. Under the Subdistrict Commission, SLZ has flexibility similar to a zoo operated by a not-for-profit organization, while its employees continue to participate in the City of St. Louis’ retirement plan. The not-for-profit associated with SLZ has no employees. Instead, SLZ employees staff the not-for-profit roles on a full- or part-time basis. Long ago, the St. Louis City Parks Department managed SLZ. The State of Missouri created the Subdistrict in 1972, as a cultural taxation Subdistrict of the St. Louis Metropolitan Zoological Park and Museum District (ZMD). ZMD funds a substantial portion of the SLZ budget from property taxes levied by ZMD on property in St. Louis City and the separate St. Louis County. The PDZ is also governed by an entity independent of the city government, Metro Parks Tacoma, with its own authority to collect property taxes and manage and operate its facilities.

Upon completion of this review, we also learned of another city, the City of Toronto, that rejected a recommendation in 2012 to privatize its zoo, and it remains a City board and agency, though it is quasi-independent. Governance is effected through a Board of Management composed of 12 members (the Mayor or his/her designate, 3 Councilmembers, and 8 public members). The Board hires and evaluates the Chief Executive Officer, who is responsible for day-to-day zoo administration and supervises all staff.

- **Focus More on Fundraising and Less on Managing Zoo Programs** - The not-for-profit associated with PDZ fundraises and manages community relations for the zoo and does not manage any other PDZ programs. In the past, the associated not-for-profit had been responsible for selling memberships and collecting the related revenue; however, PDZ found that it worked better for PDZ to handle membership and ticket sales, while the not-for-profit focuses primarily on fundraising. According to the PDZ Director, PDZ found that it seems “most functional to include operational components, including membership, within one entity. This seems to lessen confusion over priorities and roles.”

Non-Directly Government Managed Zoos – Leading Practices

Based upon the benchmarking of seven zoos not directly government managed across the nation, certain zoos have reported significant increases in attendance, incorporated certain controls to enhance oversight of the not-for-profit managing the zoos, and capped the government subsidy. Specifically:

- **Significant Increases in Zoo Attendance** - The Dallas Zoo and Houston Zoo reported great increases in attendance after transitioning from government managed to non-government managed zoos, with Dallas Zoo reporting a 70% increase since the transition in 2009 and Houston Zoo reporting a 75% increase since the transition in 2002. Further, Houston Zoo has reduced admission fees for holders of Texas' Lone Star Card. California has a similar Golden State Advantage EBT card used in the CalFresh and Calworks Programs, which could be evaluated by City Council to authorize discounts to cardholders and their household members, enhancing the Zoo's ability to connect lower income California residents with animals.
- **Government Appointees to the Not-for-Profit Corporation's Board of Trustees** - Certain cities such as Houston, Omaha, and Denver that have transitioned to non-government managed zoos are authorized to appoint a certain number trustees to the associated not-for-profit's board. Including a provision for the government to influence the makeup of zoo governing boards allows the government to participate in decisions that affect an important City resource. It also facilitates communication between the not-for-profit and the government whose vital interests the not-for-profit serves.
- **Capping of Government Subsidy** - As part of the City of Houston's operating agreement with the not-for-profit operating the Houston Zoo, it provides a capped annual management fee to the not-for-profit, which increases each year based on the Consumer Price Index. For 2016, the associated not-for-profit received a management fee of \$9.6 million from the City of Houston or 19% of total revenues.

We also noted that Sedgwick County has a unique arrangement with the not-for-profit managing the Sedgwick County Zoo (SCZ). Specifically, in 1971, SCZ opened under non-government management by a not-for-profit with a 50-year operating agreement. A majority of SCZ staff are Sedgwick County employees (110), including the Zoo's Director who is chosen by and is also the President and Chief Executive Officer of the not-for-profit. This staffing arrangement is not part of any type of transition, but part of the agreement with the not-for-profit in which Sedgwick County staffs, and pays the salaries and benefits for employees assigned to animal care, maintenance, horticulture, administration, custodial, and some education duties. Moreover,

three members of the not-for-profit's Board of Trustees are Sedgewick County leaders. A second not-for-profit corporation fundraises for SCZ.⁴⁴

Non-Government Management of Cultural Institutions in Los Angeles

In 2011-12, the City initiated an effort to transition to a non-government managed Zoo through an operational agreement with GLAZA based on a competitive selection process. However, this transition was not pursued, primarily due to concerns raised by labor representatives regarding the supervision of Zoo Department employees by a non-City supervisor employed by GLAZA.

To provide perspective on how Los Angeles County transitioned three cultural institutions to a non-government managed governance arrangement, we contacted representatives from LACMA, the Natural History Museum (NHM), and the Music Center. LACMA and the NHM remained County Departments after the transition, while the Music Center is a related agency. While differences exist between these cultural institutions and the Zoo, as well as between the City's Charter and Administrative Code versus the County's regulations, the following illustrates how these institutions have transitioned to non-government management. It is also worth noting that all three non-government managed institutions continue to receive substantial financial support from the County.

- ❖ **LACMA** - A not-for-profit operates LACMA under a 99-year contract with the County. According to LACMA's Statement of Activities for FY 2016, the County funded 47% (\$23 million) of LACMA's total reported revenues (\$49 million). The County employs 30 of the approximately 450 employees who work at LACMA. One of these County employees is the LACMA Director who is also the Chief Executive Officer of the not-for-profit. Except for a few key officials, including the LACMA Director, when County employees retire, the not-for-profit hires their replacement.
- ❖ **NHM** - A not-for-profit operates the NHM. At one time, the County employed approximately 250 NHM employees. Now there are about 10 County employees at the NHM. The not-for-profit's operating revenue base is public funding, secured by a contractual agreement with the County, and non-government funding from gifts, grants, and the not-for-profit's enterprises. The County subsidizes the not-for-profit with about \$16 million each year, representing about 40%-50% of its revenues. The County also provides NHM's utilities. Each member of the County Board of Supervisors appoints three members of the NHM's Board of Governors who also serve on the not-for-profit's Board of Trustees and related committees, including its Executive Committee. As a result, the County Board of Supervisors appoints approximately 30% of the not-for-profit's trustees.

⁴⁴ Other privately-managed zoos such as the Dallas Zoo, Henry Doorly Zoo & Aquarium, and Houston Zoo also have two not-for-profits, one for fundraising and one to manage zoo operations.

- ❖ **Music Center** - A not-for-profit operates the Music Center under a long-term contract with the County. The not-for-profit fills two roles: 1) property manager of the Music Center structure and grounds (including Grand Park), and 2) overseer of artistic programming. The not-for-profit keeps finances between these two roles completely separate, as the County funds activities related to the facility, but revenue from performances belongs to the not-for-profit and the contracted resident organizations. These organizations pay a user fee to the not-for-profit under a formula, based on the combination of revenue received from the County and concession revenue. When the Music Center transitioned to a non-government managed organization many years ago, the not-for-profit's security, ushers, and building maintenance departments were staffed by County employees. Upon retiring, the not-for-profit hired their replacements. For more than 25 years, the not-for-profit has not employed any County employees. Each year, the not-for-profit submits a budget to the County with line items for the Music Center's security, grounds maintenance, building maintenance, guest services, utilities, and other costs. The County reimburses the not-for-profit for these costs, including the not-for-profit employees' salaries and benefits and the costs to outsource custodial services. These County reimbursements do not include any subsidy for artistic programming.

The OCA has advised that under the City Charter and the Administrative Code section that created the Zoo as a City Department, a manager that is employed by a non-government entity cannot supervise Zoo Department employees, and the Zoo Director cannot be managed or controlled by a non-government entity. In addition, neither the Zoo Director nor the Mayor can delegate his/her management authority to a non-government entity.

The Zoo is a publicly prized asset and should operate under the conditions that would be most conducive to it reaching its full potential. The current governance arrangement in place over the Zoo, in which the City's Zoo Department and GLAZA share responsibilities defined by an operating agreement and multiple MOUs, has become cumbersome for all parties involved, contributes to confusion, and makes accountability and transparency difficult to achieve. Beyond this, it is not the model that will allow the Zoo to maximize its potential to become the world class Zoo it aspires to be.

The question is not whether change is needed in the City's governance arrangement for the Zoo, but what form that change will take. Ensuring a stable source of funding for the Zoo is essential, and some form of public subsidy may always be necessary. Nonetheless, the City must determine which governance arrangement will best support the Zoo and enable it to thrive and fully realize its vision *to be an innovator for the global Zoo community, creating dynamic experiences to connect people and animals*, with the Zoo continuing to remain a safe affordable family destination for Angelenos and surrounding communities for years to come. The City must then commit to following through on implementation of its chosen governance arrangement for the Zoo.

Recommendation

The City Council is urged to:

9. Establish a working group with members from the Mayor's Office, the CAO, CLA, OCA, representative Council Offices, the Zoo Department, and other relevant stakeholders, including labor representatives, specifically to:
 - a) evaluate various governance arrangements (e.g., LACMA, St. Louis Zoo, etc.) considering the opportunities for enhanced funding and flexibility associated with each, to determine which arrangement will be in the best interest of the Zoo; and subsequently,
 - b) identify and implement the steps necessary to transition the Zoo to the most optimal governance arrangement.

REVIEW OBJECTIVE, SCOPE & METHODOLOGY

This Special Review's primary objective was to assess whether the current governance arrangement between the Zoo Department and GLAZA has been effective in supporting the achievement of the Zoo's vision "to be an innovator for the global zoo community, creating dynamic experiences to connect people and animals."

Our fieldwork took place between January and June 2017, generally evaluating financial activities between FYs 2014 and 2016.

Documents Reviewed. We reviewed relevant governance documents including, but not limited to: City Ordinances, City budgets and position authorities, the Zoo Department's Business Plan, relevant correspondence between the Zoo Department, City Council, and other City leaders, the *Operating Agreement* and various *MOUs* with GLAZA, prior Controller audits of the Zoo and GLAZA, City Council meeting minutes, publications issued by GLAZA, GLAZA's audited financial statements and federal forms 990, downloads from GLAZA's accounting systems, limited samples of GLAZA expenses deducted from shared revenue with the Zoo, limited samples of GLAZA reported shared revenues, and an AZA benchmarking report.

Interviews, Site Visits, and Walk-Throughs. We conducted multiple interviews of Zoo Department and GLAZA management and staff, visited Zoo Department and GLAZA administrative offices and toured the Zoo facility, and conducted several walk-throughs of GLAZA processes used to track shared revenues and expenses.

Literature Review and Benchmarking. We researched literature related to zoo governance and contacted 13 zoos across the nation to identify various governance arrangements employed and to identify any other leading practices for possible incorporation by the City. We also contacted three non-government managed Los Angeles County cultural institutions to gain insight into how they transitioned to being non-government managed, recognizing that different rules and regulations may have existed prior to these transitions and the City Charter and LAAC may have different hindrances.

SUMMARY OF RECOMMENDATIONS

RECOMMENDATION	PAGE #	ENTITY RESPONSIBLE FOR IMPLEMENTATION	PRIORITY
Insofar as the current governance structure and operational responsibilities exist:			
1. Establish stronger fiscal controls and oversight of revenue-sharing arrangements with GLAZA, such as by requiring GLAZA to submit annual actual versus budget comparisons of shared revenues per MOU, and comparing GLAZA's reported revenues and expenses to GLAZA's general ledger of historical detailed trial balances.	11	Zoo Department	A
2. Enhance oversight of the Concessions program by requiring the internal controls used by the Concessionaire to be reviewed on a periodic basis, to ensure the completeness and accuracy of reported revenues. In addition, as specified by the Concession Agreement, require: a) the submission of a monthly profit and loss statement on concession sales each month with a breakdown of expenses and net income for concession activity; and, b) the annual submission of an Income Statement and a Balance Sheet for the Concessionaire's concession operations, prepared by an independent Certified Public Accountant	11	Zoo Department	A
3. Work with GLAZA to develop adequate policies and procedures to ensure reasonableness of costs. These could include a requirement to issue RFPs and/or obtain quotes from vendors for frequent purchases or purchases more than a certain dollar amount, as well as ensuring retention of related documentation that justifies the vendor selection.	12	Zoo Department	A
4. In consultation with the CAO and CLA, develop a robust set of performance metrics, using the data points identified by this review while considering City expectations, to facilitate monitoring GLAZA's performance in areas related to their contractual responsibilities. Compare the results over time, and to other similarly sized/situated zoos.	12	Zoo Department	A
5. Include GLAZA's federal form 990 forms for multiple years on the Zoo's website, and include GLAZA's policy on executive compensation.	14	Zoo Department	B
6. Ensure all agreements with GLAZA clearly delineate the estimated dollar value of all "in-kind" support (e.g., facilities, free admissions for members, value of merchandise discounts to members, in-kind staff support, etc.) provided by the City to GLAZA and GLAZA to the City.	15	Zoo Department	B
7. Make publicly available via the internet, all detailed transactions related to payroll expenses, purchases, revenues, etc.	15	GLAZA	B
8. Renegotiate and clarify all agreements and MOUs with GLAZA, preferably consolidating into a single agreement. Further, consider and evaluate the following items during renegotiations:	22	CLA, CAO, OCA, Zoo Department	A

Special Review of the Governance Arrangement between the Zoo and GLAZA

Summary of Recommendations

<p>a. Revising the revenue-sharing terms by discontinuing the practice of GLAZA's deducting its expenses from revenues shared with the Zoo Department, and consider allocating a fixed percentage of gross program revenues be distributed between the Zoo Department and GLAZA. If such a revision is not pursued, ensure the agreement(s) clearly delineate the direct and indirect expenses (if any) that are authorized to be deducted by GLAZA from shared revenues.</p> <p>b. Ensure all applicable agreements with GLAZA, and any contracts GLAZA has with the Concessionaire, have consistent terms and accurately describe any discounts provided to Zoo Department employees, GLAZA employees and Zoo volunteers, while conforming to City rules and regulations and mandated ethics disclosure policies.</p>			
<p>9. Establish a working group with members from the Mayor's Office, the CAO, CLA, OCA, representative Council Offices, the Zoo Department, and other relevant stakeholders, including labor representatives, specifically to:</p> <p>a. Evaluate various governance arrangements (e.g., LACMA, St. Louis Zoo, etc.) considering the opportunities for enhanced funding and flexibility associated with each, to determine which arrangement will be in the best interest of the Zoo; and subsequently,</p> <p>b. Identify and implement the steps necessary to transition the Zoo to the most optimal governance arrangement.</p>	33	Policymakers: City Council	A

A –High Priority - The recommendation pertains to a serious or materially significant review finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

B –Medium Priority - The recommendation pertains to a moderately significant or potentially serious review finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

C –Low Priority - The recommendation pertains to a finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

N/A –Not Applicable

APPENDIX I: ZOO BOND & CAPITAL IMPROVEMENT PROGRAMS BY FUNDING SOURCE

Project \Funding Sources	Date Completed/ Grand Opening	GLAZA	GLAZA/ MICLA	Various Propositions ¹	ZETF	Environmental Trust Fund No. 846	LADWP	SCMF	General Fund	MICLA	Total
Orangutan Holding Area and Exhibit	July 2000	\$ --	\$ --	\$ 6,140,735	\$ 150,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 6,290,735
Animal Health Conservation & Research Center	Dec. 2001	--	--	14,993,374	150,000	--	--	--	--	--	15,143,374
Prop A1 & Gorilla Exhibit Artwork	See note ²	--	--	220,000	--	--	--	--	--	--	220,000
Pachyderm Forest Exhibit	Dec. 2010	4,850,000	14,098,648	20,232,650	2,300,000	--	--	--	--	--	41,481,298
Winnick Family Children's Zoo	Aug. 2001	1,000,000	--	2,225,892	400,000	--	--	--	--	--	3,625,892
Children's Discovery Center	Dec. 2004	2,213,303	--	9,538,697	--	--	--	--	1,785,000	--	13,537,000
Reptile & Insect Interpretive Center	Mar. 2012	--	--	9,466,100	--	--	--	--	652,300	4,050,000	14,168,400
Rainforest of the Americas	May 2014	--	--	18,581,680	--	--	--	--	1,347,700	2,119,270	22,048,650
Zoo Entry Plaza & Sea Lion Exhibit	Jan. 2004	--	--	16,894,928	--	--	--	--	4,165,000	--	21,059,928
Prop CC Artwork – WFCZ	See note ³	--	--	340,000	--	--	--	--	--	--	340,000
Zoo Infrastructure	Various	--	--	1,730,275	--	--	3,303,755	918,680	--	734,924	6,687,634
Gorilla Holding Area & Exhibit	Nov. 2007	7,000,000	--	5,000,000	--	--	--	--	--	4,928,135	16,928,135
Zoo Drive Widening and Relocation	Oct. 2001	--	--	1,400,000	--	200,000	--	--	--	--	1,600,000
Golden Monkey Exhibit	Aug. 2008	--	--	2,860,740	380,000	--	--	--	--	3,154,260	6,395,000
Total Capital Improvement Funding		\$ 15,063,303	\$ 14,098,648	\$ 109,625,071	\$ 3,380,000	\$ 200,000	\$ 3,303,755	\$ 918,680	\$ 7,950,000	\$ 14,986,589	\$ 169,526,046

Source: June 2016 Final Program Report - Los Angeles Zoo Bond & Capital Improvement Program, prepared by The Program Management Team, Bureau of Engineering & LA Zoo Department.

(1) Includes funds received from Propositions A-1, A-2, C, CC, and K.

(2) Completed with the Children's Discovery Center

(3) Completed with the Winnick Family Children's Zoo

APPENDIX II: GLAZA RESPONSIBILITIES

GLAZA Responsibilities Per MOUs		
Corresponding MOU	Program	Program Description
Membership, Publications, & Volunteers	Membership	GLAZA works to identify, attract, and retain members to provide a renewable source of income to both GLAZA and the Zoo.
	Publications	GLAZA produces a wide variety of publications to keep members, visitors, Zoo supporters, Zoo employees, and the public informed and up-to-date on happenings at the Zoo.
	Volunteer	GLAZA works to recruit new volunteers, interviews and assesses potential volunteers and their placement, trains, and manages these volunteers and docents for the Zoo. ⁴⁵ GLAZA also coordinates member and school tours.
Concessions	Concessions	GLAZA has operated the Concessions Program since 1966. <u>In 1997, through a provision in the Operating Agreement, GLAZA hired a concessionaire and subcontracted its responsibilities.</u> As of July 2017, GLAZA maintains a concessions contract with the same concessionaire. ⁴⁶
Financial Assistance, Special Events, & Community Affairs	Fundraising	GLAZA fundraises, generating annual support and education/conservation funding for the Zoo's operation, programmatic, and capital needs and projects.
	Special Events	GLAZA develops, plans, and executes a wide array of special events and programs for multiple Zoo constituents in an attempt to raise the Zoo's profile within the Los Angeles community and beyond.
	Community Outreach	GLAZA strengthens relationships with individuals and organizations in the community by keeping them aware of Zoo programs.
Marketing and Public Relations, & Site Rentals/ Catered Events	Marketing & Public Relations (Non-Animal)	GLAZA is responsible for the staffing, design, implementation, and management of a comprehensive marketing, strategic branding, and public relations program for the Zoo to achieve the goals of expanding external awareness of the Zoo and increasing Zoo attendance, admissions revenue, and other forms of earned revenue.
	Site Rentals / Catered Events	GLAZA is focused on generating a growing number of private and corporate event rentals at the Zoo.

⁴⁵ The Zoo Department manages the volunteers assigned to animal general care and animal health care.

⁴⁶ GLAZA is currently working with a consultant to develop a request for proposal to evaluate bids submitted by concessionaires.

APPENDIX III: ZOO DEPARTMENT RESPONSIBILITIES

Zoo Department Responsibilities	
Program	Program Description
Animal General Care	Daily care of the Zoo's animals by planning, purchasing, preparing, and distributing the animal's daily meals; cleaning and maintaining animal exhibits; daily observation of animal behavior and recording in daily logs; managing animal records; sharing animal behavior information with other zoos; and coordinating behavioral enrichment programs for the animals. Staff also participate in the AZA wildlife conservation programs.
Planning, Development & Construction	Facility repair, maintenance, and construction services, as well as project management and design support.
General Administration & Support	Leadership and management oversight and general administrative support, including financial management and budget development, accounting, recruitment, and hiring. This Program also includes information technology support services provided to the Zoo.
Grounds Maintenance	Landscape maintenance and coordination of brush clearance and tree trimming.
Animal Health Care	Veterinary care and health care management for the Zoo's animal collection by performing diagnostic tests, preventative health care, and surgical procedures. In addition, staff support the AZA wildlife conservation programs by performing the quarantine procedures necessary to conduct animal transactions.
Education	Public and fee-based educational programming and classes that promote and deliver the mission and messages of the Zoo.
Custodial Services	Custodial support to ensure the Zoo maintains a clean appearance for visitors.
Admissions	Management of general admissions on-site and online sales, reservations for programs and classes, the preferred parking program and guest relations.
Public Relations (Crisis & Animal-Related)	Management of the Zoo's public relations activities related to Zoo animals and any public relations crisis. In addition, this program coordinates all commercial filming and photography activities at the Zoo. ⁴⁷

⁴⁷ GLAZA public relations staff work with Zoo Department public relations staff to ensure consistent messaging in Zoo communications.

APPENDIX IV: SHARED REVENUE DISTRIBUTIONS BY MOU: SUM FOR FYs 2014, 2015, & 2016 (page 1 of 2)

Summary of Revenue Distributions for All MOUs During FYs 2014, 2015 & 2016			
MOU	Revenue Generating Programs	Portion of Revenues Retained/Expended by GLAZA	Portion of Revenues Provided to the Zoo Department
Membership, Publications, & Volunteer	\$17,874,067 in total membership revenues	\$13,176,430 (74%) of membership revenues for expenses to manage the membership, publications, and volunteer programs	\$4,697,637 (26%) of membership revenues provided to the ZETF
Concessions	<ul style="list-style-type: none"> \$6,423,888 in total commissions revenue⁴⁸ \$567,706 in exclusive or official product revenues Sum: \$6,991,594	<ul style="list-style-type: none"> \$1,037,439 in commissions revenue \$567,706 from exclusive or official product revenues⁴⁹ Sum: \$1,605,145 (23%)	<ul style="list-style-type: none"> \$4,320,701 in commissions revenue provided to the ZETF⁵⁰ \$1,065,748 in commissions revenue placed in GLAZA's ZSDF for the Zoo Department's directed use Sum: \$5,386,449 (77%)
Financial Assistance, Special Events, & Community Affairs	<ul style="list-style-type: none"> \$4,793,355 in unrestricted revenues (e.g., donations) \$3,226,395 in additional unrestricted revenues from Beastly Ball events⁵¹ \$5,232,228 in restricted revenues \$1,030,177 in bequeaths and gifts Sum: \$14,282,155	<ul style="list-style-type: none"> \$3,893,355 in unrestricted revenues \$3,226,395 additional unrestricted revenues from Beastly Ball events \$5,232,228 in restricted revenues⁵² \$1,030,177 in bequeaths, and gifts Sum: \$13,382,155 (94%)	<ul style="list-style-type: none"> \$900,000 in unrestricted revenues allocated to GLAZA's ZAF as a "gift" for the Zoo Department's directed use Sum: \$900,000 (6%)
Carousel	\$1,493,426 total carousel revenue collected	\$486,853 (33%) expenses to operate the carousel	\$1,006,573 (67%) of carousel revenue provided to the ZETF

⁴⁸ For FYs 2014, 2015, and 2016, the Concessionaire reported gross concession revenues of \$31,356,236 and Special Vendors (subcontractors providing machine vending products other than food) reported \$447,160 in gross special vending revenues. The Concessionaire and Special Vendors provide a portion of their revenues, called commissions revenue to GLAZA each month. Thereafter, GLAZA distributes a portion of the commissions revenue to the Zoo Department.

⁴⁹ Although the Concessions MOU indicates that the Zoo Director or his designee will negotiate Exclusive or Official Product and Service Agreements with GLAZA and/or the Concessionaire, Zoo Department management indicated they are not participating in the negotiations and have not received any portion of these revenues.

⁵⁰ In FY 2015 and FY 2016, the Zoo Department directed the transfer of \$1,200,000 from the ZSDF account to the ZETF.

⁵¹ Beastly Ball expenses for FYs 2014, 2015, and 2016 totaled \$899,973.

⁵² Restricted revenues received by GLAZA are spent on the programs for which the funds are held. For example, restricted revenues received from a County grant paid for upgrades to the Zoo's lighting.

APPENDIX IV: SHARED REVENUE DISTRIBUTIONS BY MOU: SUM FOR FYs 2014, 2015, & 2016 (page 2 of 2)

MOU	Revenue Generating Programs	Portion of Revenues Retained/Expended by GLAZA	Portion of Revenues Provided to the Zoo Department
Marketing & Public Relations, Catering & Site Rentals	<ul style="list-style-type: none"> \$1,923,691 in business sponsorships \$5,825,251 night-time ticketed events revenue collected by GLAZA \$740,240 catering and site rental revenue Sum: \$8,489,182	<ul style="list-style-type: none"> \$1,923,691 of business sponsorships \$3,481,827 for night-time ticketed event expenses \$740,240 for catering and site rental expenses, including carry over deficits from prior years⁵³ Sum: \$6,145,758 (72%)	<ul style="list-style-type: none"> \$2,343,424 for night-time ticketed event revenues provided to the ZETF Sum: \$2,343,424 (28%) provided to the ZETF
Total	\$49,130,424 in revenues collected by GLAZA	\$34,796,341 (71%) of shared revenues retained and/or expended by GLAZA	\$14,334,083 (29%) of shared revenues provided to the Zoo Department

Source: Auditor calculated based upon accounting information provided by GLAZA.

It should be noted that due to subsequent Marketing Refunds that the Zoo Department paid to GLAZA for meeting certain goals related to increasing admission and night-time ticketed event revenues in FYs 2015 and 2016, the actual total shared revenue received by the Zoo Department was less than that noted above.

Specifically, when considering the impact of Marketing Refunds in FYs 2015 and 2016, the actual shared revenue distribution over the three-year period resulted in GLAZA retaining \$37,147,935 (76%) and the Zoo Department, receiving \$11,982,486 (24%) of the revenues collected by GLAZA, as noted below.

Actual Shared Revenues Distributed in FYs 2014, 2015 & 2016 (including Marketing Refund)			
	Total Shared Revenues	Portion Retained or Expended by GLAZA	Portion Provided to the Zoo Department
Total Shared Revenues Distribution (All MOUs)	\$ 49,130,424	\$ 34,796,341	\$ 14,334,083
Marketing Refunds Paid by the Zoo Department to GLAZA for FY 2015 and 2016	0	2,351,597	(2,351,597)
Actual Shared Revenues Distribution	\$ 49,130,424	\$ 37,147,938	\$ 11,982,486
% Actual Shared Revenues Distribution		76%	24%

Source: Auditor calculated based upon accounting information provided by GLAZA.

⁵³ GLAZA management indicated that the Catering and Site Rental Program operated at a deficit (\$10,332) during FYs 2014, 2015, and 2016 because they invested in inventory for site rental equipment (e.g., tables, chairs, heaters, lighting, etc.). Thus, the Zoo Department did not receive a portion of these revenues.

APPENDIX V: HISTORICAL GATE ATTENDANCE

Fiscal Year	GLAZA Members ¹	% of Attendance	Other Free Attendance ²	Special Events	General Admission ³	% of Attendance	Total Attendance	Change in Total Attendance
2002	298,276	20%	163,509	Data not tracked separately	1,055,581	70%	1,517,366	
2003	374,356	25%	160,956	Data not tracked separately	980,755	65%	1,516,067	-0.09%
2004	343,198	25%	140,139	Data not tracked separately	906,302	65%	1,389,639	-8.34%
2005	407,080	29%	124,243	18,080	847,135	61%	1,396,538	0.50%
2006	495,368	33%	103,884	37,207	887,010	58%	1,523,469	9.09%
2007	492,274	31%	96,888	38,284	937,228	60%	1,564,674	2.70%
2008	506,512	32%	112,953	41,144	941,561	59%	1,602,170	2.40%
2009	525,818	34%	103,102	19,641	907,601	58%	1,556,162	-2.87%
2010	542,632	37%	99,041	19,071	798,336	55%	1,459,080	-6.24%
2011	599,628	39%	88,089	29,467	826,048	54%	1,543,232	5.77%
2012	662,125	40%	76,188	18,942	903,195	54%	1,660,450	7.60%
2013	588,878	39%	82,459	17,249	817,688	54%	1,506,274	-9.29%
2014	619,154	40%	71,012	37,692	822,485	53%	1,550,343	2.93%
2015	659,135	38%	62,928	203,630	826,586	47%	1,752,279 ⁴	13.03%
2016	631,306	35%	65,520	197,736	890,224	50%	1,784,786	1.86%

Source: Zoo Department.

- (1) These figures include GLAZA members' and business sponsors' free guest passes redeemed.
- (2) These figures include free admissions provided to Los Angeles Unified School District school groups, Head Start Program participants, Recreation & Parks Center Groups, and children under 2. In comparing FY 2002 attendance to FY 2016, the Zoo Department experienced a 60% decrease in attendance for this category.
- (3) General admission data includes paid group attendance.
- (4) The significant increase in total attendance in FY 2015 is primarily due to the increase of night-time ticketed event attendance, which are included in the special events category, but used to calculate the Zoo's total attendance.

APPENDIX VI: FORMAL RESPONSES AND ACTION PLAN

As part of our protocol, we requested a formal response and action plan from both Zoo Department and GLAZA management. Their responses were received on March 22, 2018 and are presented in this Appendix.



March 22, 2018

*"Creating
dynamic
experiences
to connect
people and
animals"*

Los Angeles Zoo
5333 Zoo Drive
Los Angeles
California 90027
323/644-4200
Fax 323/662-9786
<http://www.lazoo.org>

The Honorable Ron S. Galperin
City Controller, City of Los Angeles
200 North Spring Street, Third Floor
Los Angeles, CA 90012

SUBJECT: Audit of the Governance Arrangement Between the Los Angeles Zoo and
Greater Los Angeles Zoo Association (GLAZA)

Mr. Galperin:

Following is a formal joint response to your final draft audit report regarding the Los Angeles Zoo Department (Zoo) and Greater Los Angeles Zoo Association (GLAZA) governance arrangements, our combined response sheet and an independent response from GLAZA. Your audit team has identified many of the same issues our two organizations have struggled with for some time. These complex arrangements are well understood by Zoo and GLAZA staffs but have become increasingly difficult for others to comprehend creating a fog around intended transparency. We look forward to working with the City to create clearer agreements on roles and responsibilities so to further the Zoo's Vision to be an innovator for the global zoo community, creating dynamic experiences to connect people and animals.

Eric Garcetti
Mayor

David E. Ryu
Council Member
4th District

Zoo Commissioners

Karen B. Winnick
President

Bernardo Silva
Vice President

Margot Armbruster

Nicole Chase

Christopher Hopkins

Richard Lichtenstein
ex officio member

John R. Lewis
Zoo Director

TOWARD A NEW PARTNERSHIP MODEL

The Zoo and GLAZA and operate as a partnership. We share a common mission and we work together in a spirit of cooperation each and every day toward our common goals of maintaining a strong financial foundation and creating a growing revenue stream for the Zoo to ensure that the Zoo remains a vital asset to our Los Angeles community.

Although we share a common goal, we are very different types of organizations. The Zoo is a City Council-controlled Department of the City of Los Angeles. GLAZA is an independent nonprofit organization, governed by a Board of Trustees, Articles of Incorporation and Bylaws. These separate governing entities share a duty to the Los Angeles community to exercise prudent oversight of the Zoo's and GLAZA's respective finances and management.



An Equal
Employment
Opportunity
Employer

Accredited by the Association
of Zoos and Aquariums

Member of the American
Alliance of Museums

Member of the California Association
of Zoos and Aquariums

The L.A. Zoo-GLAZA partnership may well be unique in the zoo world. Most U.S. zoos (81%) are now privately managed by a nonprofit organization and receive some form of taxpayer support.¹ The Dallas Zoo transitioned to a nonprofit management structure in 2009 and has had tremendous success and growth. Attendance at the Dallas Zoo set records in the years following the governance transition; zoo visitorship increased by a quarter of a million people in the first three years and reached 1,000,000 attendees in 2016 for the first time in the zoo's 128-year history (founded 1888). In 2012, three years after privatization, President and CEO of Dallas Zoo Management, Inc., Gregg Hudson, said, "Because the Dallas Zoo is now privately managed, we can move faster... that ability to be nimble has allowed the Zoo to grow at an explosive rate." Revenues have grown as well, increasing from a **loss of \$1.4 million** at the time of privatization to a **surplus of \$364,000** in three years.

Like the majority of other zoos, most Los Angeles area cultural institutions are operated by private nonprofit entities. The County of Los Angeles has been particularly successful with this model at both the Los Angeles County Museum of Art and the Natural History Museum. The County owns both these institutions and provides substantial annual funding for them while their nonprofits manage the operations and raise additional financial support. The County model may well be the ideal partnership between a government-owned facility and a nonprofit manager. If given the opportunity, GLAZA would embrace such a relationship with the City of Los Angeles and the Zoo Department. However, the Charter of the City of Los Angeles presents several impediments to the successful implementation of such a contemporary model for the Los Angeles Zoo.

The simple fact is that the L.A. Zoo's and GLAZA's public-private partnership is a unique model among zoos and cultural institutions. This fact does not necessarily lead to the conclusion that this is an issue of governance, therefore a more traditional model would be better for the financial stability and future of the Los Angeles Zoo. The current public-private partnership between the Zoo and GLAZA provides the flexibility that allows each organization to focus their efforts on their particular areas of expertise. Zoo staff is comprised of career-long experts at Zoo management, animal care, animal health, conservation, education, facilities and grounds maintenance and improvements. GLAZA staff has expertise in nonprofit management, fundraising, special events, marketing and public relations, membership, concessions and volunteer management. This partnership has evolved over more than fifty years to become a successful hybrid of the governance models seen at other zoos and cultural institutions.

By no means does the success of this public-private partnership at the Los Angeles Zoo mean there is no room for improvement. The formal relationship between GLAZA and the Zoo is structured by a proliferation of agreements, including the Operating Agreement, the Concession Agreement and varying numbers of Memoranda of Understanding (most recently four). These agreements were created at various times over the course of over 30 years to address the changing needs of the Zoo, the changing expectations and needs of Mayors and City Councils, and the addition of responsibilities delegated to and accepted by GLAZA. Many of the agreements have been amended several times over the decades, adding additional layers of complexity that muddy the relationship. Furthermore, many of the basic constructs within these contracts were inherited by the current administrations of the Zoo and GLAZA and have proven to be outdated in the current economy.

¹ The other 19% of U.S. zoos are operated and managed by a municipal entity and supported by a nonprofit fundraising organization.

Herein lies the stumbling block. This contractual patchwork is the fundamental organizational issue because it complicates and hampers the relationship between the two organizations. The numerous agreements contain many inconsistencies in terms and provisions, and the complexity and intricacies of the varied financial arrangements established by the agreements gives rise to an appearance of non-transparency. The byzantine streams of revenue and the various ways that revenue is accounted for and shared between the organizations require an inordinate amount of administrative and accounting staff time at both the Zoo and GLAZA. In essence, the current contractual partnership between the Zoo and GLAZA lacks the clarity of a concise, well-reasoned business model.

The answer is not a retreat to the old-fashioned structure of a municipal zoo and a companion fundraising nonprofit. Rather, we must create a contemporary contractual structure for this relationship to ensure that both organizations are adequately funded and professionally and financially sustainable. As "innovators for the global zoo community" and experts in our different areas of responsibility, the Zoo and GLAZA are ideally suited to solve this operating model conundrum. A financial model imposed on our organizations by outside entities is destined to fail.

The first step toward a financially stable future is for the Los Angeles Zoo and GLAZA to reimagine the contractual framework of our partnership. The Zoo's and GLAZA's mutual goal will be to thoughtfully and cooperatively identify a functional, streamlined business model to create a partnership that enables both the Zoo and GLAZA to achieve and maintain financially sustainable foundations. Working together, we will be able to untangle the current confusion of contractual terms to create a streamlined, more effective and transparent partnership structure. This will ensure that the Los Angeles Zoo, a treasured Los Angeles asset, is able to evolve and grow to meet the needs of the Los Angeles community well into the future.

Sincerely,



JOHN R. LEWIS, General Manager
Los Angeles Zoo

Sincerely,



CONNIE MORGAN, President
Greater Los Angeles Zoo Association

JRL:CM/dmt

attachment

cc: Siri Khalsa, City Controller's Office

STATUS OF DRAFT SPECIAL REVIEW RECOMMENDATIONS

Report Title:		Special Review: Governance Agreement Between the Zoo Department and GLAZA (Draft)				
Date Draft Provided to Zoo & GLAZA:		February 13, 2018				
Dept. Coordinating Responses:		Zoo Department				
Reported Status Date:		22-Mar-18				
DEPARTMENT-REPORTED INFORMATION						
Observations	Rec. No.	Recommendation	Current Status	Basis for Status	% of Implementation	Target Date for Implementation
Accountability & Performance Metrics <i>The Zoo Department needs to enhance its oversight of GLAZA through increased accountability and the use of a robust set of metrics to monitor GLAZA's performance.</i>	1	<p>Insofar as the current governance structure and operational responsibilities exist,</p> <p>Zoo Department management should: Establish stronger fiscal controls and oversight of revenue-sharing arrangements with GLAZA, such as by requiring GLAZA to submit annual actual versus budget comparisons of shared revenues per MOU,</p>	Za, b & d PI GLAZA I	<p>Notes preceded with Z are Zoo comments. The remainder are from GLAZA. If there is one entry Zoo and GLAZA are in agreement.</p> <p>Za, b & d) The Zoo has requested authority for a new Senior Management Analyst position in the FY18-19 Budget to perform this new responsibility.</p> <p>Zc) The Zoo reviews these when received.</p> <p>a) GLAZA currently submits spreadsheets to the Zoo Department showing detailed calculations of annual revenue and direct/indirect expenses on shared revenues, per each MOU.</p> <p>b) Annual actual vs. budget comparison of shared revenues, per each MOU</p> <p>c) GLAZA currently submits monthly general ledger data to the Zoo on the ZAF, the ZSDF and restricted funds.</p> <p>d) GLAZA will begin providing the Zoo with a report of GLAZA revenues and expenses compared to the general ledger on a monthly basis</p>	<p>Za, b & d) 33%</p> <p>Zc) 100%</p> <p>a) 100%</p> <p>b) 0%</p> <p>c) 100%</p> <p>d) 0%</p>	<p>Za, b & d) Oct.1, 2018</p> <p>Zc) Done</p> <p>a) Done FY 16; ongoing;</p> <p>b) GLAZA will provide the Zoo Department with a budget prototype of the MOU streams at the beginning of each fiscal year. Target date: 07/18.</p> <p>c) Done</p> <p>d) Target date: 90 days</p>
	2	<p>Zoo Department management should: Enhance oversight of the Concessions program by requiring the internal controls used by the Concessionaire to be reviewed on a periodic basis, to ensure the completeness and accuracy of reported revenues. In addition, as specified by the Concessions Agreement, require: a) the submission of a monthly profit and loss statement on concession sales each month with a breakdown of expenses and net income for concession activity; and, b) the annual submission of an Income Statement and a Balance Sheet for the Concessionaire's concession operations, prepared by an independent Certified Public Accountant.</p>	Za) D Zb) NYI a) PI b) NYI	<p>Za) This does not seem necessary with the current contractor; the Zoo's share of revenue is based on gross revenues not the Concessionaire's net revenues. It may be appropriate with a new concessions contractor depending on how revenues are shared.</p> <p>a) GLAZA appreciates the importance of understanding the business and cost structure of the Concessionaire's activities at the Zoo. We will be cognizant and aware of the Concessionaire's costs on an ongoing basis. Please note that for purposes of calculating the concessions commissions payable to the Zoo and GLAZA, the key metric is the Concessionaire's <u>gross revenue</u>.</p> <p>b) GLAZA will include the requirement of an annual audited Income Statement and Balance Sheet in the draft Concessions RFP and in the resulting contract with a concessionaire.</p>	<p>Za) 0%</p> <p>Zb) 0%</p> <p>a) 0%</p> <p>b) 0%</p>	<p>Za) NA</p> <p>Zb) Same as GLAZA</p> <p>a) 90 days</p> <p>b) Date of Concessions RFP issuance</p>

STATUS OF DRAFT SPECIAL REVIEW RECOMMENDATIONS

Report Title:		Special Review: Governance Agreement Between the Zoo Department and GLAZA (Draft)			
Date Draft Provided to Zoo & GLAZA:		February 13, 2018			
Dept. Coordinating Responses:		Zoo Department			
Reported Status Date:		22-Mar-18			
DEPARTMENT-REPORTED INFORMATION					
Observations	Rec. No.	Recommendation	Current Status	Basis for Status	Target Date for Implementation
	3	Zoo Department Management should: Work with GLAZA to develop adequate policies and procedures to ensure reasonableness of costs. These could include a requirement to issue RFPs and/or obtain quotes from vendors for frequent purchases or purchases over a certain dollar amount, as well as ensuring retention of related documentation that justifies the vendor selection.	a) I b) NYI c) NYI	a) GLAZA uses best business practices to obtain quotes or issue RFPs for purchases of material value (e.g. Zoo Lights production; advertising agencies; Zoo Street Lighting Project and Membership Consulting (ongoing). b) GLAZA will develop a written policy regarding the process/threshold for obtaining formal bids or RFPs for purchases of material value. c) GLAZA will develop a written policy to ensure the retention of the related documentation on quotes or RFP responses obtained for purchases of material value to document the vendor selection process and rationale.	a) 100% b) 0% c) 0% a) Current practice b) 07/18 c) 07/18
	4	Zoo Department management should: In consultation with the CAO and CLA, develop a robust set of performance metrics, considering the potential metrics identified by this review and City expectations, to facilitate monitoring GLAZA's performance in areas related to their contractual responsibilities. Compare the results over time, and to other similarly sized/situated zoos.	Za) PI NYI	Za) Zoo will begin this task in the next Fiscal Year subject to the approval of the newly requested Senior Management Analyst. GLAZA is an independent nonprofit organization, governed by a Board of Trustees. The Board approves and monitors GLAZA's annual budget at Board meetings which are attended by the Zoo Director. The budget serves as an internal set of metrics for the organization. GLAZA and the Zoo shall work together to establish metrics relative to their contractual revenue streams as outlined in the MOUs and Operating Agreement..	Za) 33% 0% Za) Oct.1, 2018 Ga) Oct. 1, 2018
Public Transparency					
GLAZA's detailed financial activities should be made public for Angelenos and donors.	5	Zoo Department management should: Include GLAZA's federal 990 forms and audited financial statements for multiple years on the Zoo's website, and include GLAZA's policy on executive compensation.	I	GLAZA manages the website for the Zoo. GLAZA has posted its financial statements on the website since April 2017. In response to this report, GLAZA has now posted its 990 IRS forms for the fiscal years 2015, 2016 and 2017. GLAZA has also posted its executive compensation policy on the website.	100% Done
Agreements with GLAZA require more transparency.	6	Zoo Department should: Ensure all agreements with GLAZA clearly delineate the estimated dollar value of all "in-kind" support provided by the City.	D	We believe that to itemize the "in-kind" support provided by the Zoo to GLAZA and by GLAZA to the Zoo would require a significant effort to identify the relevant data and ensure its accuracy. We question whether the cost of the exercise would outweigh its informational value.	0% TBD

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	7	GLAZA management should: Make publicly available via the internet, all detailed transactions related to payroll expenses, purchases, revenues, etc.	D	<p>Zoo has no comment.</p> <p>GLAZA is a private, nonprofit entity governed by its Board of Trustees, who approve the annual budget and monitor revenue and expenses closely. The Board's Audit Committee supervises the annual independent audit of GLAZA's finances and the annual IRS Form 990 filing, and the full Board reviews and accepts these documents. GLAZA's audited financial statements and IRS Forms 990 are on the website and available to the public. GLAZA carefully monitors the revenue spent on administrative and fundraising costs, and employs nonprofit best practices to ensure optimal mission for the dollars spent. GLAZA would welcome the opportunity to discuss the differences in reporting responsibilities between various entities (i.e., for-profit, nonprofit, and governmental organizations).</p>		

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Consolidation & Clarification of Agreements	8	CLA, CAO, OCA and Zoo Department management should: Renegotiate and clarify all agreements and MOUs with GLAZA, preferably consolidating into a single agreement. Further, consider and evaluate the following items during renegotiations:	Za, c, d & e) NYI	Za, c, d & e) Zoo agrees to study these items with CLA, CAO & OCA and will include GLAZA in ongoing discussions. GLAZA and the Zoo initiated the conversation about the need to simplify these documents and create a contemporary, financially sustainable business model for both organizations. During negotiations, numerous negotiation points will be considered. GLAZA is unable to evaluate or opine on sections a through e below independently of such negotiations.	Za, c, d & e) 0%	Za) 7,01,2018
<i>Poorly written and conflicting terms in agreements (Operating Agreement and MOUs) give rise to questions about GLAZA retaining more shared membership revenue than may have originally been intended.</i>			NYI			
<i>The Zoo Department and GLAZA operate from expired MOUs and certain departures from MOU specifications were not formally documented. A renegotiation, consolidation, and clarification of all agreements (i.e., Operating Agreement, Concessions Agreement, and MOUs) with GLAZA could result in the Zoo Department receiving additional revenue for its operations.</i>	a.	Revising the revenue-sharing terms by discontinuing the practice of GLAZA's deducting its expenses from revenues shared with the Zoo Department, and consider allocating a fixed percentage of gross program revenues be distributed between the Zoo Department and GLAZA. If such a revision is not pursued, ensure the agreement(s) clearly delineate the direct and indirect expenses (if any) that are authorized to be deducted by GLAZA from shared revenues.				

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	b.	a) CLA, CAO, OCA, and Zoo Department Management should: Ensure all applicable agreements with GLAZA, and any contracts GLAZA has with the Concessionaire, have consistent terms and accurately describe any discounts provided to Zoo Department employees, GLAZA employees and Zoo volunteers, while b) conforming to City rules and regulations and mandated ethics disclosure policies.				
Long-term Governance of the Zoo Implement a New Governance Arrangement	g.	The City Council is urged to: Establish a working group with members from the Mayor's Office, the CAO, CLA, OCA, representative council offices, the Zoo Department, and other relevant stakeholders, including labor partners, specifically to:	NYI	This was attempted in recent times without an acceptable result. It will require a positive commitment of the City's part with goals for success agreed to at the Start. The Zoo will wait for the Mayor and Council's direction on this finding.	0%	Unknown
	a.	Evaluate various governance arrangements (e.g., LACMA, St. Louis Zoo, etc.) considering the opportunities for enhanced funding and flexibility associated with each, to determine which arrangement will be in the best interest of the Zoo; and subsequently,				
	b.	Identify and implement the steps necessary to transition the Zoo to the most optimal governance arrangement				
I - Implemented						
PI - Partially Implemented or In Progress						
NYI - Not Yet Implemented						
D - Disagree						
NLR - No Longer Relevant						



March 22, 2018

The Honorable Ron S. Galperin
City Controller, City of Los Angeles
200 North Spring Street, Third Floor
Los Angeles, CA 90012

RE: Draft Report for the Special Review of the Governance Arrangement between the LA Zoo and GLAZA

Dear Mr. Galperin:

In addition to our primary joint response with the Zoo Department to the above-referenced draft report, we also submit the attached summary describing the Greater Los Angeles Zoo Association, our unique partnership with the Los Angeles Zoo and the substantial contributions we have made to the funding and mission of the Zoo and its programs over the past three to four years. Key points include the following:

- **For over 50 years, GLAZA has been the integral partner in the success of the Los Angeles Zoo and its mission.** As partners, GLAZA and the Zoo work together on the Zoo's campus each and every day in a spirit of cooperation to achieve our common goals of maintaining a strong financial foundation for the Zoo and creating a reliable, growing revenue stream to support the Zoo and its programs.
- **GLAZA is an independent, nonprofit organization, governed by a Board of Trustees with a fiduciary duty to oversee the organization's operations, finances and activities.** GLAZA complies with all federal and state laws governing nonprofits and their operational and reporting responsibilities. **We earned a top 4-star Charity Navigator rating** based upon our transparency and accountability.
- **GLAZA has become the primary revenue engine for the L.A. Zoo.** Since the elimination of the Zoo's General Fund support in in FY 2015, GLAZA has **substantially increased both donated and earned revenues to support the Zoo. In FY 2017, GLAZA provided over \$11 million in funding to the Zoo and its programs.** At the same time, we continue to work to ensure GLAZA's own strong financial foundation to enable us to continue assisting the Zoo.
- We work alongside the Zoo to **nurture a commitment to wildlife and conservation support.** **GLAZA serves as an effective advocacy organization to advance the Zoo's mission** by rallying community support for Zoo programs and capital improvements requiring taxpayer support.

Benefiting the Los Angeles Zoo and Botanical Gardens

March 22, 2018

Page 2 of 2

GLAZA appreciates the opportunity to provide this additional summary of our efforts and contributions in support of the L.A. Zoo and its mission and programs. We request that this letter and the attached summary also be included in the formal response to the audit report. We hope this will serve to increase both GLAZA's transparency and the understanding of our unique and successful partnership with the Los Angeles Zoo.

Sincerely,



Connie Morgan
President

Attachment

cc: John Lewis, Zoo Director, Los Angeles Zoo and Botanical Gardens
Siri A. Khalsa, Acting Director of Auditing, Office of the Controller

WHO IS GLAZA AND WHAT DO WE DO?

Introduction

GLAZA exists to ensure that the Los Angeles Zoo's mission is fully realized. We do this primarily in four ways: making sure our current funding base is stable and expanding, managing our membership program to achieve steady growth, managing our marketing and public relations responsibilities to guarantee a steady source of admissions revenues for the Zoo and continually developing new earned-income opportunities to support the Zoo and its many programs.

To these ends, GLAZA manages and operates seven essential departments at the L.A. Zoo under numerous contracts with the City of Los Angeles and the Zoo Department. Our efforts are directed at raising earned and donated revenue to support the Zoo; in fiscal year 2017 GLAZA provided **over \$11 million in funding** for the Zoo and its programs. GLAZA is responsible for:

- Fundraising
- Membership
- Marketing & Public Relations and Site Rentals & Catered Events
- Food and Retail Concessions
- Publications
- Volunteers
- Special Events and Travel Programs

GLAZA also works to nurture a commitment to wildlife and conservation support. We are integrally involved in supporting and funding the Zoo's efforts to ensure the health and wellbeing of the animals in its care, and its commitment to the conservation of wildlife and habitats both locally and around the world.

Through GLAZA's membership and docent programs, we work diligently to foster community support for the L.A. Zoo, its mission and programs. This community is a key factor in GLAZA's value as an advocacy organization for the Zoo. As the Zoo works toward the realization of its new vision plan, GLAZA will rally support from the community to raise donated funds and generate vital taxpayer support for the major capital improvements envisioned by the plan.

GLAZA's Governance and Leadership

GLAZA is a private, independent nonprofit organization, incorporated as a 501(c)(3) entity. We are governed by a dynamic 31-member Board of Trustees, a group of committed individuals who are passionate about conservation, wildlife and wildlife education. The

Board is an impressive collection of civic leaders, who deeply understand the City and the potential of the Zoo to become as iconic as the Griffith Observatory and the Hollywood Sign.

Each Trustee owes a legal, fiduciary duty to exercise prudent oversight of GLAZA's operations and activities and to steward the money that GLAZA raises to fund its activities and the Zoo programs it manages and to support the L.A. Zoo. The Board currently meets six times each year, and each of its eight standing Board committees meet at least twice per year to oversee and advise on key functions of the organization. Each of GLAZA's dedicated Trustees serves on at least one standing Board committee, many serve on two, and each communicates regularly with GLAZA staff. GLAZA Trustees play a key role in promoting the vision of the L.A. Zoo and raising funds to support the Zoo's mission and programs.

For our Trustees, the Los Angeles Zoo is their first priority among the multitude of philanthropic choices in Los Angeles; they are dedicated to the full realization of the Zoo's mission as a world-class institution. Trustees are not just generous in contributing their time and expertise but also their personal resources by making major annual contributions through the Beastly Ball and Safari Society, as well as project-based contributions, both programmatic and capital.

GLAZA's Trustees bring a wealth of strengths to enable GLAZA to fulfill its mission of providing essential support to the L.A. Zoo and its programs. They contribute innumerable hours of varied expertise to the management and development of GLAZA. A number of our Trustees have served the organization for twenty years or more, but we are always seeking new Trustees from the community who have a passion for the Zoo's mission and offer additional expertise. GLAZA's professional staff of 41 full-time and 10 part-time employees is led by President Connie Morgan, who has worked with the Zoo for over 15 years.

In the 1980s, GLAZA built its current offices and the Andrew Norman Education Center, next to the Zoo's Administration Building on the Zoo campus. GLAZA gifted the structure to the City of Los Angeles upon its completion. Our close proximity to our Zoo partners facilitates GLAZA's integral involvement in the day-to-day management and operation of the L.A. Zoo.

GLAZA's Current Mission Statement

GLAZA was originally formed in 1963 for the purpose of establishing, developing, beautifying and improving the Los Angeles Zoo.

The Board of Trustees, in partnership with the L.A. Zoo, recently adopted both the Zoo's and GLAZA's updated mission and vision statements and adopted a new set of cultural values to guide the organization:

Mission: *To serve the community, we will create an environment for recreation and discovery; inspire an appreciation of wildlife through exhibitry and education; ensure the highest level of animal welfare; and support programs that preserve biodiversity and conserve natural habitat.*

Vision: *We will leverage the diverse resources of Los Angeles to be an innovator for the global zoo community, creating dynamic experiences to connect people and animals.*

GLAZA's Cultural Values:

- *Accountability*
- *Forward Thinking*
- *Integrity*
- *Ownership*
- *Passion*
- *Respect*

THE UNIQUE PARTNERSHIP BETWEEN THE L.A. ZOO AND GLAZA

GLAZA is the City's Integral Partner in the Growth and Success of the L.A. Zoo

From the beginning, GLAZA has been a uniquely Los Angeles enterprise. After all, what other zoo association can name an entertainment luminary like Cary Grant among its founders and Betty White as a current Trustee? GLAZA was incorporated in 1963, three years before the opening of the Zoo's current location, by a group of 200 community leaders, including Mr. Grant, and, since then, has steadfastly dedicated itself to maintaining the L.A. Zoo as a major showpiece of this showpiece city.

Immediately upon its incorporation, GLAZA got to work. It acquired the Zoo's original animal collection, raised essential funds for the new Zoo, created a vital membership program to build community support for the Zoo and began the country's first zoo docent program, which has been emulated by zoos nationwide.

Today, ***GLAZA is the City's integral community partner in the Los Angeles Zoo's successful growth and operation***, and the vehicle for the Los Angeles community's ongoing participation in the financial security and mission success of the Zoo. For *nearly 55 years*, the organization's sole mission has been to support the Los Angeles Zoo and Botanical Gardens. Every day, we work in partnership with the City's Zoo Department to further every aspect of the L.A. Zoo's role as a community asset and world-class zoological institution.

In addition to GLAZA's major financial and operational support, the Zoo derives a tremendous benefit from the effectiveness of GLAZA as an advocacy organization. In support of the first phase of the Zoo's master plan improvements, in 1998 GLAZA spearheaded the promotional efforts to pass Proposition CC. This successful community campaign resulted in the measure passing by an extraordinary **79% majority vote**, providing **\$47.6 million** in funding for extensive renovations and new exhibits now enjoyed by the Zoo's visitors. The Zoo now has a new vision plan that is going through the approval process. GLAZA's advocacy skills and efforts to rally support from the community will no doubt be instrumental once again in attaining vital taxpayer support of this dream.

GLAZA works diligently to assist the Zoo in providing superior care for the health and wellbeing of the animals here, as well as to preserve wildlife and their habitats for future generations. We fund numerous conservation programs, both at the Zoo and internationally, including the Zoo's participation in the California Condor Recovery Program, and we provide funding to enable the Zoo's curators and animal keepers to travel nationally and internationally to participate in critical conservation programs. We ensure state-of-the-art care for our animals by funding advanced veterinary medical equipment at

the Gottlieb Animal Health and Conservation Center, and finance animal behavioral enrichment staff programs for the animals residing at the Zoo.

GLAZA formally operates and manages seven of the Zoo's essential departments: a *development program* that raises funds for operational, programmatic and capital needs and projects, *membership programs* that generate both community and financial support for the Zoo, an award-winning *publications program* that advances the Zoo's mission to the public, a highly active *docent and volunteer program* that is the largest in our region and a *marketing and public relations* operation that is the engine behind the Zoo's admissions revenues. GLAZA also manages the Zoo's *concessions and retail operations* where we make constant improvements in the quality of the service, food, merchandise and facilities. GLAZA coordinates occasional *travel programs* and all *special events* at the Zoo, from major public events to ticketed revenue-generating events to intimate dinners to thank the Zoo's generous donors.

GLAZA HAS BECOME THE REVENUE ENGINE FOR THE L.A. ZOO

In 2014-15, the City of Los Angeles ceased providing General Fund support for the Zoo, declining from **over \$10.6million** in 2006-07 to **zero**. This elimination of City support has necessitated that fully 100% of the Zoo's expenses be met by revenue generated at the Zoo by both the Zoo and GLAZA. In the summer of 2014, GLAZA assumed the responsibility for driving Zoo admissions revenue by entering the new MOU for Marketing & Public Relations and Site Rentals & Catered Events.

GLAZA has invested substantially in growing our earned revenue generation capacity and our financial support of the Zoo. In fiscal year 2017, GLAZA provided **over \$11 million in funding** to the Los Angeles Zoo through its Operating Agreement and Concession Agreement with the City of Los Angeles and the various Memoranda of Understanding with the Zoo Department. Note that GLAZA's annual contributions to the L.A. Zoo are not limited to the revenue stated in the Zoo's official annual budget. Substantial additional funds that stream to the Zoo Enterprise Trust Fund and restricted funds support Zoo projects.

Each year since 2014, GLAZA has invested in and forward funded a marketing budget of **approximately \$2.5 million** to achieve Zoo attendance and admissions revenue goals. By adding the marketing function to GLAZA's duties, we became the primary revenue engine for the Zoo. These efforts have also resulted in increased Zoo attendance, which contribute to the growing revenue base.

GLAZA now generates earned revenue for the Zoo by:

- Marketing the Zoo and Zoo admissions to generate Zoo attendance
- Managing the Membership program to maximize revenues
- Creating ticketed events to increase attendance and revenue
- Managing the Zoo Concessions and Retail operations to optimize revenue

GLAZA continues to raise funds for the Zoo through its efforts at:

- Fundraising for restricted and unrestricted funds, estate gifts, grants and other foundation funds and corporate support
- Safari Society, the annual donor program at the Zoo
- Sponsorships
- Negotiating capital contributions for Zoo projects from Concessionaire

GLAZA's Success in Increasing Zoo Attendance and Admissions Revenue Since 2014

Since 2014, GLAZA has implemented a number of strategies to increase attendance and admissions revenue, grow earned revenue and expand awareness of the L.A. Zoo and its programs. During the past four fiscal years, GLAZA has accomplished the following to increase Zoo attendance and earned admissions revenue for the L.A. Zoo:

- **Created L.A. Zoo Lights:** To increase Zoo attendance and admissions revenue, in 2014 GLAZA created a new evening ticketed event, L.A. Zoo Lights. In only four seasons, we have grown Zoo Lights attendance from **170,000** in the first year to **266,000** in the 2017-18 season.
- **Increased Net Admissions Surplus for the Zoo:** GLAZA transferred the net surplus from all evening ticketed events to the Zoo (L.A. Zoo Lights and summertime events, such as Roaring Nights and Brew at the Zoo), totaling **\$1,661,247** in FY17. Pending receipt of certain final expense invoices, we are on track in FY 18 to provide the Zoo with approximately **\$2.4 million** in Zoo Lights events revenue alone. This is revenue for the Zoo that did not exist prior to 2014. It has become an important component of total Zoo revenue, supplying 10.7% of the FY2017 total Zoo admissions income budget. When the ticketed summer events, such as Brew at the Zoo and Roaring Nights are included, GLAZA provided over **\$110,000** in additional funds for the Zoo.

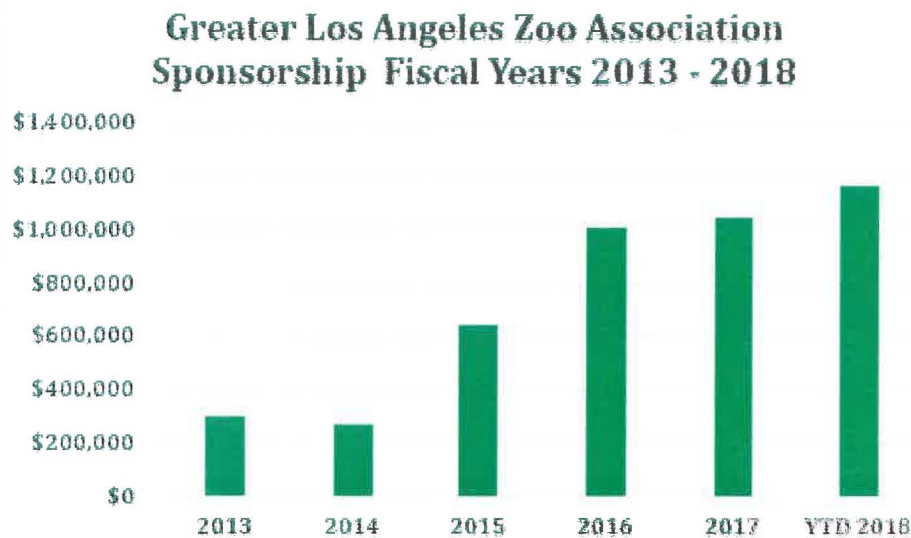


- **Exceeded Budgeted Admissions Revenue for the Zoo:** In 2017, GLAZA achieved **102.46%** of budgeted total admissions revenue in FY17, yielding **\$387,203 in Zoo funding** in excess of budgeted revenue.

- **Increased Zoo Attendance with a Traveling Exhibit:** In early 2016, to attract Zoo attendance in the face of a predicted El Niño weather pattern, GLAZA commissioned and installed a traveling exhibit, “*Dinosaurs: Unextinct at the L.A. Zoo,*” resulting in Zoo attendance that exceeded budget (995,119 actual vs. 989,723 budgeted). Paid attendance was the real beneficiary: we achieved actual paid attendance of **602,483** vs. budgeted paid attendance of **538,627**, a **12% increase over budget**.

GLAZA’s Other Revenue-Generating Successes Since 2014

- **Concessions Revenue and Capital Contributions:** During the past four years, GLAZA expanded the Zoo’s concessions and retail amenities, which now earn **over \$2 million** annually to support the Zoo. Recent improvements, funded at GLAZA’s request by the Concessionaire, include two brand new Safari Shuttles (**\$500,000**) a new pizza restaurant, “Fork in the Road” (**\$315,000**) and a **\$200,000** cash sponsorship of Zoo Lights that directly benefitted the Zoo.
- **Sponsorship Growth to Support a Robust Zoo Marketing and Public Relations Program:** GLAZA has significantly increased the participation of sponsorships from corporate partners to **over \$1 million** annually to support a vibrant marketing and public relations budget for the Zoo.

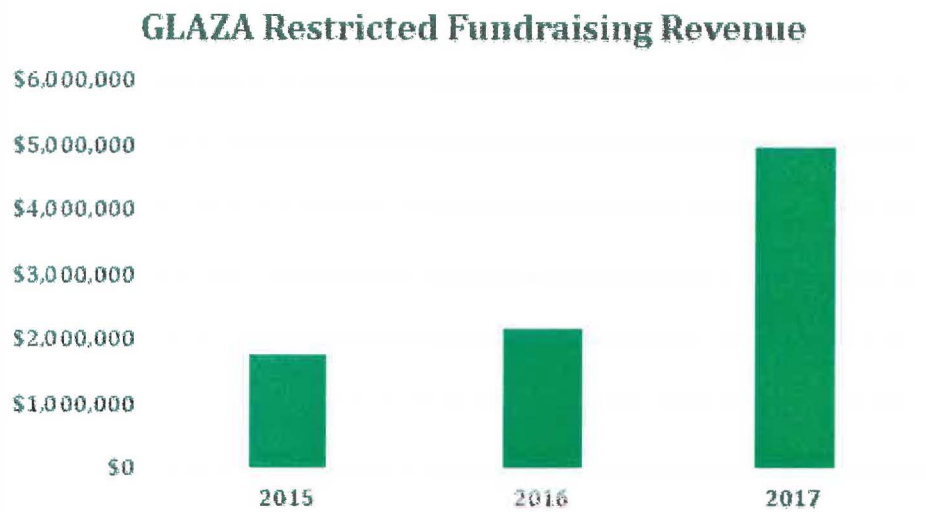


- **The Tom Mankiewicz Carousel:** GLAZA designed, fundraised and built this \$2.5 million endangered special Carousel at Treetops Terrace, gifting the structure to the City upon completion. This project was created to create a new stream of earned revenue to support the Zoo. During FY2016, GLAZA’s last full year of operating the

Carousel, we earned net revenue of approximately **\$370,000** that went to the Zoo. In early 2017, the Zoo assumed the operation of the Carousel.

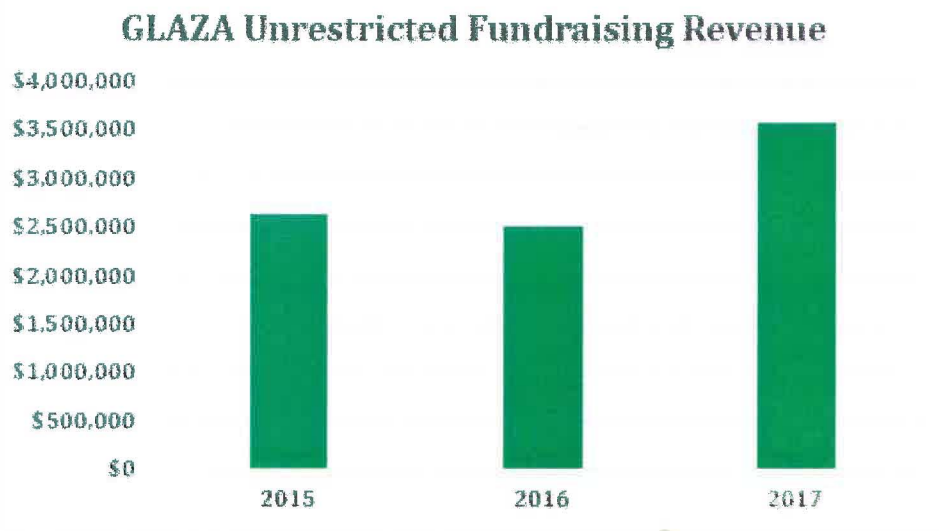
GLAZA's Success since 2014 in Fundraising to Benefit the L.A. Zoo

- **Financial Support of the Zoo's Mission:** GLAZA spent **76.9% or more** of our operating expense budget each year on mission support programming for the Los Angeles Zoo. In FY17, Zoo program expenses totaled **78.6%** of GLAZA's expense budget.
- **4-Star Charity Navigator Rating:** GLAZA earned a top rating by Charity Navigator, an organization that rates charities by evaluating two broad areas of performance: Financial Health and Accountability & Transparency. The rating shows donors how efficiently a charity will use their support, how well the charity has sustained its program and services over time and the charity's commitment to accountability and transparency.
- **Restricted Fundraising:** GLAZA raises restricted funds to enable the L.A. Zoo to realize significant priority projects, established by and with the Zoo Director. These projects include capital programs, Zoo Education Division programs, conservation programs, the Gottlieb Animal Health and Conservation Center and animal care needs. Restricted fundraising results are based on projects available for funding, donor interest and donor timing. The excellent FY2017 results were generated by considerable donor interest in the "TBA" Park and the SCAN initiative. See the section "GLAZA's Capital Contributions to the L.A. Zoo during the Last 4 Years" below for a detailed list of projects funded since 2014.



- **Unrestricted Fundraising:** Unrestricted support permits GLAZA management to invest planning time in beneficial income and mission support projects that will yield long-term financial benefits to the Zoo. In the past four years, unrestricted funds have enabled GLAZA to forward fund the Zoo’s marketing and public relations budget to generate admissions revenue; to design and produce an L.A. Zoo Lights experience that now brings 250,000+ people annually to a ticketed night-time holiday event, and generates nearly \$2.5 million in additional revenue that is transferred to the Zoo; to plan and design a new 2-acre park behind the Discovery Center, capable of generating significantly increased revenue from larger corporate and private events; and to design and implement a fundraising strategy for a \$3 million conservation initiative that will fund a new Conservation Curator for the L.A. Zoo. These core investments in the people, systems and infrastructure are greatly assisting the growth and development of the Zoo.

From FY2015 to FY2017, GLAZA generated the unrestricted funds shown in the chart below. FY2017 was particularly successful do to heightened donor interest in the Zoo’s 50th anniversary “call to action.”



- **Membership:** During the past four years, an annual average of **over 59,000 households** have been members of the Zoo. Membership provides a renewable annual source of dependable, consistent yearly income for the Zoo. Member attendance also generates additional revenues when they purchase Carousel rides, behind-the-scenes opportunities, Zoo Camp enrollments, giraffe feedings and food and retail concessions. Additionally, these individuals and families are the Zoo’s loyal community who communicate the Zoo’s mission to their friends and

acquaintances, support and advocate for bond measures that fund Zoo improvements and champion the Zoo.

GLAZA's Substantial Capital Contributions to the L.A. Zoo during the Last 4 Years:

GLAZA raises restricted gifts for priority Zoo projects established by and with the Zoo Director that are deemed important to the health and development of the Los Angeles Zoo. Most gifts are directed toward projects that the Zoo has "on deck" or desires to pursue.

During the past four years, GLAZA raised significant funds for **more than 12 Los Angeles Zoo capital projects**. These projects included:

- **Elephants of Asia:** GLAZA committed, raised and paid \$20 million to fund half the cost of this major Zoo habitat. The final \$2.2 million was raised during FY14-16.
- **The World of Birds Show Renovations:** GLAZA designed, fundraised and built a new structure to replace the aging World of Birds facility. The cost was approximately **\$1.2 million**. The new structure opened in 2015.
- **Mid-Zoo Lighting Project:** GLAZA secured a **grant of \$745,000** for street lighting in the middle section of the Zoo.
- **Papiano Playpark:** GLAZA funded the initial design and construction of the Papiano Playpark over a decade ago. In 2017, GLAZA supplied funds totaling **\$207,000** for substantial renovations.
- **"TBA" Park:** GLAZA has commissioned a design for the undeveloped 1.76 acre site behind the Children's Discover Center for a new park for corporate picnics, private events, concerts, weddings and other events. **\$2.5 million** was raised in FY17 and GLAZA continues to fundraise.
- **Orangutan and Chimp Mesh:** From FY14 to FY16, GLAZA raised **over \$400,000** in private funding for the Zoo to replace aging mesh and make other improvements at Red Ape Rain Forest and Chimps of Mahale Mountains.

Other GLAZA Contributions to the L.A. Zoo

GLAZA works diligently to foster community support for the L.A. Zoo, its mission and programs. Two primary efforts to engage the Los Angeles community are our membership program and our docent and volunteer recruitment, training and service hours on behalf of the Zoo.

GLAZA established and administer the first zoo docent program in the nation. Accredited through UCLA Extension, it serves as a model for zoos across the country. GLAZA's hundreds of volunteers and docents, working with education, administration, animal care and enrichment special events and grounds beautification, contributed over **200,000 hours of volunteer service** to the L.A. Zoo between fiscal years 2015 and 2017.

Not only do these dedicated individuals improve the visitor experience and advance the Zoo's mission, but they have always been a consistent, strong voice for the mission of the Zoo. They also represent a significant financial contribution to the L.A. Zoo as well. At the City's current living wage rate of \$12.73 per hour, the **minimum annual budgetary value** of these donated services is **over \$848,000**. In reality, this is a conservative estimate because many of the services our volunteers and docents donate would command significantly higher rates of pay in the marketplace. Independent Sector uses a higher rate of pay to calculate the value of volunteer services, and they also include 12% for benefits in their calculation. The docents' and volunteers' diligent work and commitment to the Zoo enables many tours, programs and services that the Zoo could otherwise afford to offer its visitors.

Our membership program provides a renewable annual source of dependable, consistent yearly income for the Zoo. We recruit and nurture the largest membership program among all Los Angeles-area cultural institutions, and the second largest among AZA-accredited American zoos. Our members support the L.A. Zoo through their consistent annual financial contributions and purchases of concessions, Zoo education programs and other services. Our members are loyal supporters of the Zoo and its programs, many become donors, and some give their time as docents and volunteers to share their commitment to the Zoo and its mission with the community. Like the docents and volunteers, members have been a consistent voice in support of the Zoo mission.

GLAZA also supports the Zoo's education efforts. Since 2014, GLAZA has raised funds to provide **432 Zoo Camp scholarships** to underserved children in Los Angeles. Our transportation fund contributed between **\$22,000 and \$40,000 annually** during the past four years to offer **Zoo field trips** to L.A. schools that otherwise cannot afford the visit. Each of these efforts increases the Zoo's accessibility and affordability. Additionally, GLAZA docents took the ZooMobile, a mobile Zoo exhibit, to numerous schools, senior centers and other organizations. GLAZA raised funds to reinstate two FTE Zoo staff positions to ensure that Muriel's Ranch be re-opened seven days a week. In FY 2017, **303,858 Zoo visitors** enjoyed a stop at the Ranch. We produce an award-winning publications program that serves the Los Angeles community, including the Zoo's website, a quarterly magazine and newsletters to keep the public informed and updated about Zoo programs, activities and events.