

Summary of Lake Superior Zoo & Fairmount Park Planning Report

Presented by: ConsultEcon, Inc.

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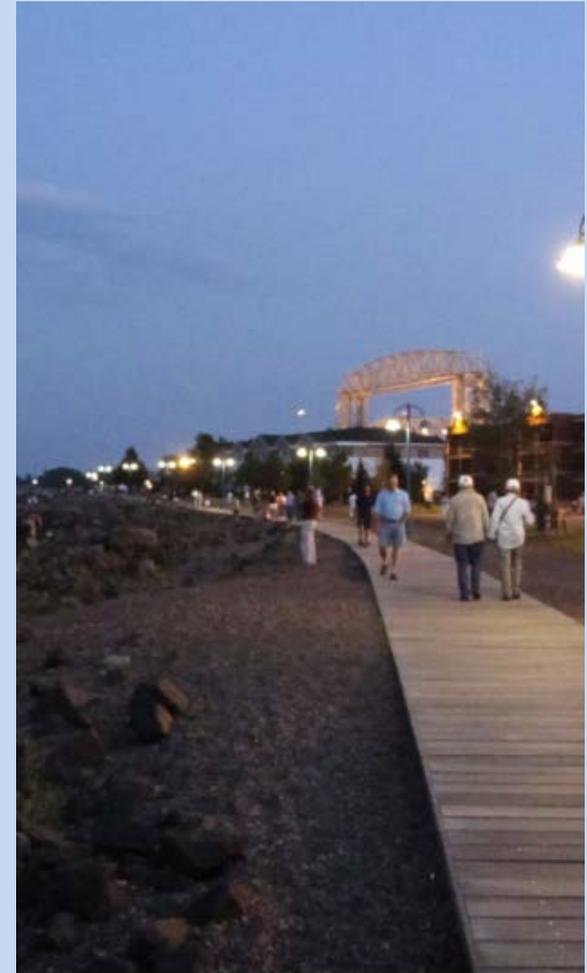
Overview of ConsultEcon Assignment

- ◆ Develop a planning and alternative evaluation process for the Duluth Zoo and Fairmount Park.
- ◆ Develop and review alternative development plans.
- ◆ Evaluate the markets for the Zoo, the current operations of the Zoo
- ◆ Facilitate a two-day planning workshop to build consensus alternatives.
- ◆ Based on the work a number of consensus alternatives were developed and tested.



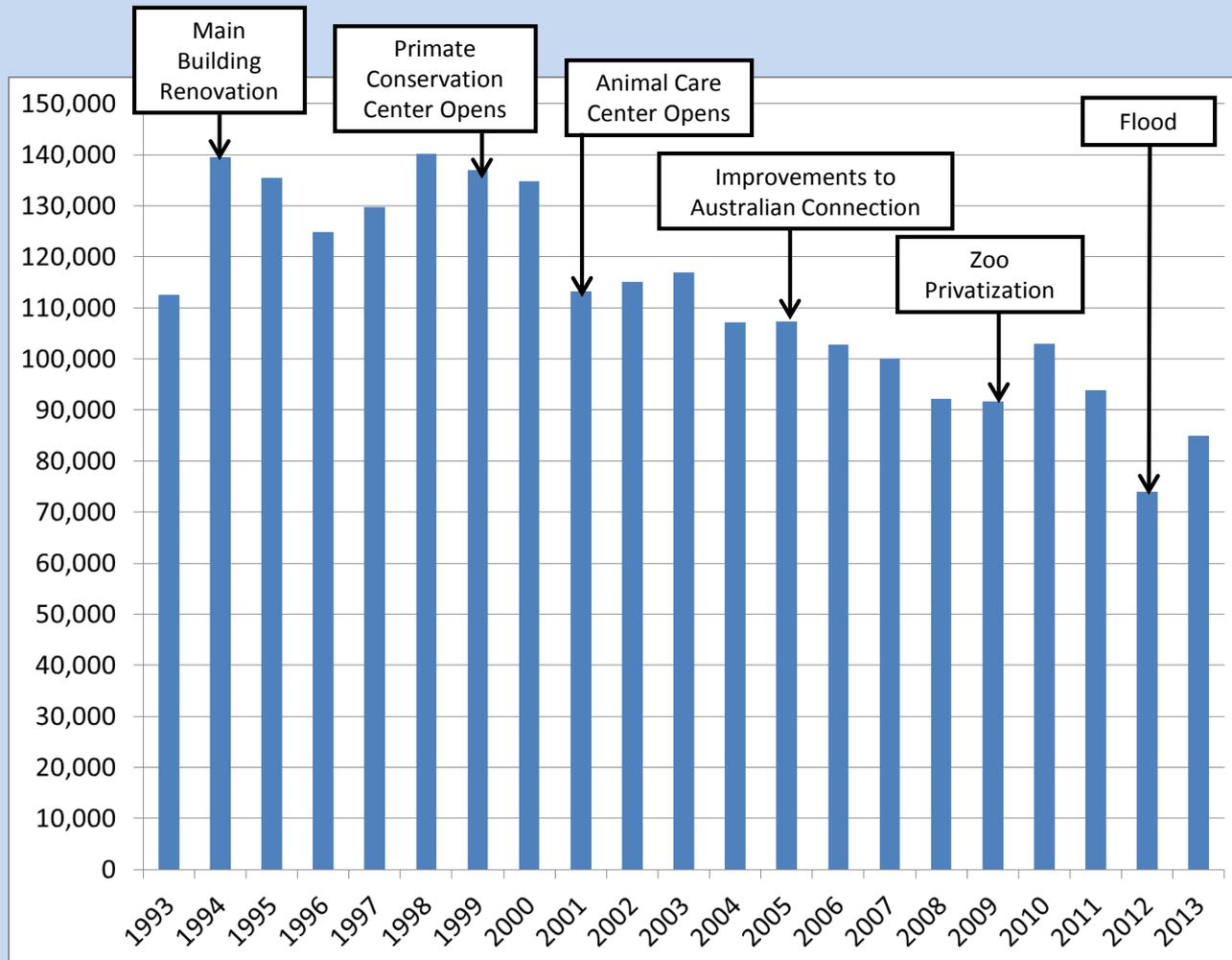
Zoo Resident and Tourist Markets

- ◆ There are healthy resident and visitor markets to support the Zoo. Within a ninety minute drive of the Zoo there are just under 400,000 residents. The media market for Duluth is 425,000 people.
- ◆ There are an estimated 3.5 million visitors annually to Duluth with 55% visiting in the Summer; 20% in Autumn; 15% in Winter; and 10% in Spring.
- ◆ St. Louis County generated \$474 million in gross leisure and tourism sales in 2012.
- ◆ Duluth has emerged as a destination city with a wide range of attractions and events. Duluth is also getting more attention in the adventure tourism industry and the city is developing a major trail and bikeway infrastructure program.



Zoo Visitation

Long Term Attendance Trend, 1993 through 2013, Lake Superior Zoo



Zoo Operations

- ◆ Attendance to the Zoo is seasonal – peak months are May thru October – accounting for about 88% of annual attendance.
- ◆ About 45% of the \$2 million operating budget is earned income and 55% non-earned, including the subsidy from the City. City contribution has been stable; donations and memberships have increased. Currently there are over 2,000 memberships.
- ◆ The Zoo has 26 full time employees and 36 part time and seasonal employees. The Zoo occupies 23 acres in Fairmount Park.
- ◆ While there have been limited new exhibits over the last few years, the on-site and off-site educational programs, program revenue, and program attendance have increased significantly.



Summary of Zoo Project Workshop

- ◆ Workshops held in September 2014
- ◆ Purpose was to develop consensus on a set of capital improvements that will best lead to an improved visitor experience and improved financial operating results.
- ◆ A key assumption in the workshop was that a capital commitment from the City would range from \$0 to a maximum of \$12 million, and that the maximum capital budget available from the City was not enough to execute all projects under consideration, in the recent Zoo masterplans at the highest level.
- ◆ Capital investment is needed both to improve core infrastructure and improve the visitor experience.
- ◆ It was determined that a zero investment scenario is not feasible as there are acute infrastructure issues that require investment.



Key Findings From the Workshop

Proposed capital investments at the Zoo were prioritized based on:

- ◆ those projects which **remedy immediate infrastructure issues** either due to the flood and/or proposed City changes to the Zoo fence line which require relocation of exhibits, to allow for the introduction of trails and more public open space;
- ◆ projects which **complete those already underway** and enhance Zoo entrance visibility and arrival experience (e.g. Grand Avenue entrance project);
- ◆ projects that **already have funds committed** which fit with the strategic direction of the Zoo;
- ◆ projects which **improve and add indoor (four-season) exhibits/experiences** outside of the flood plain and in or near the main building (along the ridge);
- ◆ projects that can substantially **upgrade current successful exhibits with modest investment.**



Key Findings From the Workshop

Consensus capital projects that emerged from the workshop include:

Zoo Visitor Experience Improvements

- ◆ Forest Discovery Zone
- ◆ Repurposed Polar Shores
- ◆ New Brown Bear Exhibit along with Animal Infill Exhibits
- ◆ Main Building Renovation/Expansion
- ◆ Upgraded Primate Conservation Center
- ◆ Upgraded Farm

Zoo Infrastructure Improvements

- ◆ Entrance/Access Improvements At Grand Ave.
- ◆ Zoo Parking Lot and Main Building Entrance Improvements
- ◆ Zoo Wide Signage, Pathway Improvements
- ◆ New Programming Supplies and Materials



Forest Discovery Zone



Repurposing Polar Shores



Summary of Alternative Scenarios

ConsultEcon analyzed the potential operating impact of two different master plan investment scenarios (Scenario 1 and Scenario 2). Specifically the Capital Investment Scenarios would:

- ◆ **Reposition the Zoo** – leveraging the growing adventure tourism brand in Duluth and communicating to current and potential visitors that the experience at the Zoo is fun and entertaining. Several of the new attractions planned including Forest Discovery Zone and indoor and outdoor playgrounds, emphasize adventure/active play.
- ◆ **Address blighted areas of the Zoo**, including Polar Shores damaged by the 2012 flood.
- ◆ **Improve the overall visitor experience** and increase the appeal of a visit to the Zoo for a broader audience base.
- ◆ **Create repeatable experiences and programs** that appeal to both existing visitors and new visitors.
- ◆ Offer better indoor **opportunities for year-round visitation**.
- ◆ **Improve Zoo entrance visibility** from main access points.

Summary of Alternative Scenarios

- ◆ Scenarios were developed to respond to opportunities and challenges at the Zoo, and within the regional and attraction industry marketplace, and to position the Zoo such that attendance, revenue and mission impact improve over time.
- ◆ For each scenario, attendance, revenue, and operating expense impacts were analyzed
- ◆ Scenario 1 represents a \$12 million capital investment and Scenario 2 represents a \$16 million over a period of 6 years.

Budget Allocations for Alternative Scenarios

CORE PROJECTS	ILLUSTRATIVE CAPITAL BUDGET (\$)	
	<i>Scenario -1</i>	<i>Scenario -2</i>
<i>Zoo Visitor Experience (Core Product)</i>		
Forest Discovery Zone	\$1,750,000	\$2,000,000
Brown Bear Exhibit	\$2,000,000	\$3,000,000
Renovation/Expansion of Main Bldg.	\$4,000,000	\$4,300,000
Multi-Story Indoor Playground		\$350,000
Primate Conservation Center & Nocturnal Bldg.	\$250,000	\$350,000
Farm	\$250,000	\$350,000
Outdoor Themed Destination Playground	\$250,000	\$500,000
Animal In-fill exhibits	\$500,000	\$1,300,000
Subtotal	\$9,000,000	\$12,150,000
<i>Zoo Infrastructure</i>		
Repurposing Polar Shores	\$1,000,000	\$1,000,000
Entrance Improvements (along Grand Avenue)	\$100,000	\$175,000
Zoo Site-Wide Improvements	\$200,000	\$200,000
Reconfigure Zoo Train Route		\$200,000
Visitor Arrival Improvements/Parking Lot Improvements	\$100,000	\$150,000
Subtotal	\$1,400,000	\$1,725,000
<i>Programming</i>		
Programming Supplies & Materials	\$50,000	\$75,000
Contingency at 15%	\$1,567,500	\$2,092,500
Total	\$12,017,500	\$16,042,500
Rounded	\$12,000,000	\$16,000,000

Alternative Plans Operational Analysis

Plan Scenario	Scenario 1	Scenario 2
Capital Investment	\$12,000,000	\$16,000,000
Attendance	112,907	121,418
Memberships	2,738	3,029
Per Capital Admissions Revenue	\$8.68	\$8.89

Alternative Plans Operational Analysis

Plan Scenario	Scenario 1		Scenario 2	
Capital Investment	\$12,000,000		\$16,000,000	
Attendance	112,907		121,418	
Memberships	2,738		3,029	
Per Capital Admissions Revenue	\$8.68		\$8.89	
Earned Revenue	\$1,732,600	79%	\$1,933,100	86%
Contributed Revenue	\$521,900	21%	\$521,900	14%
Total Operating Expenses	\$2,197,200		\$2,238,400	
Net Income Before Exhibit Reinvestment (w/o City subsidy)	\$57,300		\$216,600	
Required Annual Revenue Capital Investment	\$575,000		\$575,000	
Net Income After Capital Reinvestment (w/o City Operating Subsidy)	(\$517,700)		(\$358,400)	

Source: ConsultEcon, Inc.