

COUNTY OF MILWAUKEE

INTER-OFFICE COMMUNICATION

DATE: May 27, 2021

TO: County Executive David Crowley
Milwaukee County Board Chairwoman Marcella Nicholson
Jason Haas, Chair, Committee on Finance
Scott Manske, Comptroller
Aaron Hertzberg, Director, Department of Administrative Services

FROM: Vera Westphal, Interim Zoo Director, Zoological Department

SUBJECT: Notification of a Potential Net Deficit for 2021 (For Information Only)

Issue

Milwaukee County Ordinance 56.02 states that any department shall submit a written report to the County Executive, the Committee on Finance of the County Board, the Office of the Comptroller and the Department of Administrative Services whenever the department has reason to know or believe that a net deficit of at least one hundred thousand dollars (\$100,000) will occur or is projected to occur.

Background

Due to the world-wide COVID pandemic, the Zoo closed its doors on March 15, 2020 and did not reopen until June 13, 2020. The Zoo's management team worked closely with the County's Reopening Steering Committee (ROSC) to open safely with a limited capacity of 1,500 and required on-line admission tickets. The capacity at year-end was 6,000 guests at any one time. Year 2020 was a challenge that resulted in a revenue deficit of \$11.5M, an expenditure surplus of \$4.7M for a net \$6.8M deficit. Total attendance was 519,633. Even though the financial results were grim, we heard from our guests that they were so grateful that the Zoo opened to provide a safe, interactive, and educational outlet and provided a "normal" experience to break up the virtual school classes and the time guests spent in front of a computer while working from home. Families are spending more time together and the community treasures the Zoo and appreciates that it provides this outlet, especially as other venues have been closed.

As of the writing of this memo, capacity limits are between 50% - 75%. The capacity limits are based on parameters such as outdoors, indoors or indoors with food service. Most of the animal buildings and amenities are open with face masks required indoors. The outside mask mandate will be lifted on June 1. Through April 30, 2021 attendance and revenues are ahead of budget by 53,088 and \$286,651 respectively. The table below shows the percentage of revenues generated compared to budget for the months of January through April 30, 2021.

Month	Actual Revenue as a % of Budget
January	94%
February	96%
March	166%
April	102%

The numbers show strong support from the community and, for the most part, the weather has been favorable. It is difficult to project the numbers for May through December as the pandemic is still a concern and businesses and families are still feeling the effects. The numbers have volatility and the pandemic restrictions from the Center for Disease Control and Prevention (CDC), the City of Milwaukee and the County's ROSC impact our operations.

The two main areas of concern are with Group Sales and General Visit revenues. The Group Sales team has been working with clients on the County pandemic guidelines for 2021 picnics and rentals. Some clients have cancelled, moved their event until later in the year or deferred until 2022. Based on the data so far, the Zoo is projecting a deficit of \$1.2M in group sales revenues. If restrictions are lifted, revenues in this area will improve.

The other area of concern is with General Visit revenues, which is comprised of admissions including school field trips, parking fees, rides, vending, and revenue-share contracts. As the peak season approaches, the budget numbers may not be realized as we are under the pandemic-required capacity caps, operational limits and guests still may not be comfortable returning. A market analysis projected attendance at 72.2% of 2019's attendance for January, with quarter three at 88% and 94.5% for the fourth quarter. In extrapolating those figures against budgeted General Visit revenues for May through December, a deficit of \$2.08M would occur. We are closely monitoring the numbers.

Corrective Action Plan

The 2021 Zoo Budget includes an internal freeze of \$658,400 in expenditures to offset any potential revenue deficit. An additional \$541,600 in expenditure savings have been identified for a total of \$1.2M to offset the projected deficit in group sales revenues. We will look for additional savings, but budget pressures include repairing water main breaks and the well water system, rising gas and food prices, absorbing over \$197,000 in retirement payouts so far this year and additional staff needed to monitor building capacities and COVID cleaning requirements. We continue to hold positions vacant as much as possible without causing additional stress on staff who are taking on increased workload, and we are limiting OT to emergencies only. The Animal Division is dealing with staff shortages due to leave of absences (military, injury, FMLA). Repair and maintenance funds will mainly be used for emergencies and repairs required for guest and animal care safety issues. The Zoo and our concessionaire/retail partner Service Systems Associates (SSA) are experiencing difficulties in hiring seasonal help which hinders the ability to open and staff amenities to generate revenues.

With the challenges on programming due to the pandemic, staff were creative and developed virtual programs such as Valentine's Day and Mother's Day greetings. The Zoomobile program has been rebranded as Zoo Expeditions and two new tours have been added, including a walking tour. A gift card promotion runs through the end of May that offers \$20 in bonus bucks for every \$100 purchased. The bonus bucks are good for the months of June through August to encourage a visit during the peak season. Even though A la carte was cancelled for this year, the drive-thru Boo event will be offered for eight nights up from four, and the December Wild Lights will be offered 25 nights instead of 10 making up the revenues from A la carte. As school districts lift restrictions, more school field trips will be booked, and we expect strong fall numbers as schools should be closer to "normal" for the start of the next school year.

The Zoo applied for a Shuttered Venue Operators Grant through the Small Business Administration (SBA). Based on the application, the Zoo is eligible for up to \$6.8M due to 2020 revenue losses and can be used for 2021. The Small Business Administration (SBA) is processing applications using the priority periods established by the Economic Aid Act. Since the Zoo is in the Tier 3 category, any award will be made in late June or early July.

Recommendation

This is an informational report required by Section 56.02 of the Milwaukee County Ordinances and requires no action.



Vera Westphal
Interim Zoo Director

Cc: Mary Jo Meyers, Chief of Staff, County Executive
Supv. Sheldon Wasserman, Chair, Parks, Energy and Environmental Committee
Supv. Stephen Shea, Vice-Chair, Parks, Energy and Environmental Committee
Supv. Willie Johnson Jr., Vice-Chair, Finance Committee
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Joseph Lamers, Director of Performance, Strategy & Budget
Michelle Nate, Deputy Comptroller
Steve Cady, Research and Policy Director, Comptroller's Office
Emily Petersen, Research Analyst, Comptroller's Office
Shanin Brown, Committee Coordinator
Kelsey Evans, Committee Coordinator
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Zoo Division Heads