

Keep The Arboretum Free

Analysis of RPD's non-resident Fee Proposal:

According to RPD calculations, the non-resident plan expects to generate profits in the range of \$220,000 to \$250,000. Using RPD and S.F. Botanical Society disclosures over the past year, **we have found at least two critical anomalies in the budget calculations** that in reality reduce that amount substantially. We have attached our analysis to this letter and below highlight the two issues we are taking with the RPD analysis:

- 1) The original study by Dean Runyon Associates compiled for the S.F. Botanical Society and which was the basis of the inputs into the RPD analysis assumes a blended fee of \$4.20 (\$5 base adult fee and lower senior & youth fees) and expects to have 220,000 paying visitors to the Arboretum per year – 107,800 of which non-resident. It also estimates operating costs for gates and staff of \$461,000. These costs appear fixed and non-variable. RPD seems to have chosen to substitute a substantially higher blended fee - somewhere between \$6.35 and \$6.65 in their budget calculations. Importantly, RPD doesn't reduce the associated attendance numbers given the higher fees. Realistically, a 50-55% fee increase for this type of discretionary outing could reasonably be expected to reduce attendance 25-30% - undermining RPD's revenue assumptions. The fixed nature of the costs means **the income figures come down dramatically to a range between \$37,000-\$72,000.**
- 2) The viability of the project is affected not only by revenues and operating costs, but also by depreciation of the capital costs of the plan over the life of structures and equipment. The RPD numbers do not seem to accommodate this. The estimates that have been supplied to us by RPD and SFBS for the capital costs have varied greatly over time. Originally, it was estimated as high as \$1,300,000. Recently, it was indicated as low as \$75,000. We have trouble with both those numbers, but something around \$200,000 could be reasonable. Using that figure, **including depreciation, the annual expected income is reduced to a range of just \$29,000-\$64,000.**

Analysis of Arboretum Fee Proposal

Original Study (applied to non-residents only)

Attendance**	107,800
Blended Fee*	\$4.20
Revenue	\$452,760

Operating Expenses*

Kiosk Staff	(\$180,000)
Benefits @ 30%	(\$54,000)
Empl. Taxes	(\$12,000)
Ops & Admin	(\$15,000)
Mktg/Admin/Security	(\$200,000)
Total Opex	(\$461,000)
Income before Depreciation	(\$8,240)
Depreciation & Amort.***	(\$8,000)
Annual Income	(\$16,240)

Value of Project over 25 years

Net Present Value	(\$177,053)
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Assumptions:

Total attendance*	220,000
Non-Res Mix	49%
Base Adult Rate*	\$5.00
Added Fee drop-rate	0.0%

Notes:

Analysis based on Dean Runyon Associates study commissioned by S.F. Botanical Society

Net Present Value (NPV) calculation shown as '25-yr total return'

NPV & IRR calculations assume 5% WACC & 25-year asset straight-line depreciation schedules on \$200,000 capital investment

* According to Dean Runyon study

** Pro-forma calculation for non-resident only fee from Dean Runyon Study

*** Assumes \$200,000 capital spend - SFBS estimated \$1.3m in July 2008, RPD recently estimates \$75,000

RPD Scenario w/25% attendance drop-off

Attendance**	80,850
Blended Fee**	\$6.60
Revenue	\$533,610

Operating Expenses*

Kiosk Staff	(\$180,000)
Benefits @ 30%	(\$54,000)
Empl. Taxes	(\$12,000)
Ops & Admin	(\$15,000)
Mktg/Admin/Security	(\$200,000)
Total Opex	(\$461,000)
Income before Depreciation	\$72,610
Depreciation & Amort.***	(\$8,000)
Net Income	\$64,610

Value of Project over 25 years

Net Present Value	\$784,154
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Assumptions:

Total attendance*	220,000
Non-Res Mix	49%
Base Adult Rate	\$7.00
Added Fee drop-rate	25.0%

RPD Scenario w/30% attendance drop-off

Attendance**	75,460
Blended Fee**	\$6.60
Revenue	\$498,036

Operating Expenses*

Kiosk Staff	(\$180,000)
Benefits @ 30%	(\$54,000)
Empl. Taxes	(\$12,000)
Ops & Admin	(\$15,000)
Mktg/Admin/Security	(\$200,000)
Total Opex	(\$461,000)
Income before Depreciation	\$37,036
Depreciation & Amort.***	(\$8,000)
Net Income	\$29,036

Value of Project over 25 years

Net Present Value	\$306,651
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Assumptions:

Total attendance*	220,000
Non-Res Mix	49%
Base Adult Rate	\$7.00
Added Fee drop-rate	30.0%

UPDATED Admissions Pro-forma January, 2009

Income Projections Based on a \$5.00 Base Fee and an Attendance Rate of 65/1,000 Residents

Comparable Gardens

In order to provide a basis for attendance and other projections, a selection of comparable urban botanical gardens was identified and briefly studied. These gardens and their data on attendance, admission fees and membership appear in Table 1. Several attributes of these gardens are notable:

- Admission fees range from \$5 to \$15 for adults, with an average of about \$7
- Annual attendance varies widely, from under 100,000 to nearly 700,000; the average is about 350,000; this figure typically includes children in organized school groups
- Attendance rates, calculated as annual attendance per 1,000 metropolitan area residents, range from about 30 to over 400, and averages about 150
- Membership ranges from 1,000 to 25,000, with an average of about 14,000

It is apparent that current Garden annual attendance, at about 500,000, is well within the range of these facilities, with membership somewhat lower than one might expect.

Table 1
Comparable Garden Facilities

Facility	Location	Organization	Year Founded	Site (ac)	Annual Attendance	Admission		Population (2000; 000s)	Attn per 1,000 pop	Membership
						Adult	Youth			
Atlanta Botanical Garden	Atlanta, GA	non-profit muni/non-profit	1976	30	166,000	\$10.00	\$5.00	4,248	39	17,000
Botanical	Wichita, KS	non-profit	1985	10	118,000	\$6.00	\$3.00	571	207	4,200
Brooklyn Botanical Garden	Brooklyn, NY	non-profit	1910	39	685,000	\$5.00	free	2,465	278	18,000
Cleveland Botanical Garden	Cleveland, OH	non-profit	1930	7	320,000	\$7.00	free	2,148	149	6,000
Dallas Arboretum & Botanical Garden	Dallas, TX	non-profit muni/non-profit	1974	66	300,000	\$7.00	\$4.00	5,162	58	13,000
Denver Botanical Garden	Denver, CO	non-profit	1951	23	485,881	\$6.50	\$4.00	2,179	223	19,600
Huntington Botanical Gardens	San Marino, CA	non-profit	1919	150	500,000	\$15.00	\$6.00	9,519	53	25,000
Los Angeles County Arboretum	Arcadia, CA	non-profit muni/non-profit	1947	127	250,000	\$6.00	\$1.50	9,519	26	4,000
Missouri Botanical Garden	St. Louis, MO	non-profit	1859	73	672,815	\$7.00	free	2,699	249	35,000
Myriad Botanical Gardens	Oklahoma City, OK	muni	1988	17	90,000	\$6.00	\$3.00	1,095	82	1,000
New York Botanical Garden	Bronx, NY	non-profit	1891	250	615,161	\$6.00	\$1.00	1,333	462	20,000
Phipps Conservatory and Botanical Garden	Pittsburgh, PA	non-profit	1935	2	190,000	\$6.00	\$3.00	2,431	78	5,000
Red Butte Botanical Garden	Salt Lake City, UT	University	1961	150	111,000	\$5.00	\$3.00	969	115	6,200
Washington Park Arboretum	Seattle, WA	muni/non-profit	1934	230	400,000	free	free	3,044	131	25,000
Average					350,276	\$7.12	\$3.35	3,384	154	14,214

Source: Dean Runyan Associates

Average Admission Fee

	Gate/Group Attendance					Group (adult)	Total/Avg
	Adult	Youth	Child 5-11	Child 4 & under			
Proportion	75%	5%	10%	5%	5%	100%	
Admission fee	\$5.00	\$3.00	\$1.00	\$0.00	\$4.00	\$4.20	

Notes:

Organized school groups not included in these amounts.

Source: Dean Runyan Associates

Projected gross revenue amounts to \$924,000 per year, based on the attendance forecast of 270,000, and assuming that 18.5% of attendees are members who are admitted free. Thus, paying visitors would number 220,000. Total attendance, counting school groups, would amount to 290,000. Offering a senior discount of \$1 and a free day could lower the gross income very slightly, but it would also reduce costs slightly. This level of attendance assumes an established and well operated outreach/marketing program focusing on Bay Area residents as well as domestic and international visitors.

Table 5
Projected Admission Fee Revenue

Based on an annual estimated attendance of 220,000 paying visitors at a blended rate of \$4.20 yields a conservatively projected net income of \$463,000. Admission revenue will be greater than this amount if visitation is higher than projected. A strong marketing campaign and adequate security will be essential to generating admissions revenue. Those costs are estimated below.

ADMISSIONS REVENUE	
NON-SCHOOL VISITORS*	\$924,000
SCHOOL GROUPS	\$0
TOTAL	\$924,000
OPERATING EXPENSES	
TICKET KIOSK STAFF	\$180,000
BENEFITS @ 30%	\$54,000
ADDTL EMPL. TAXES	\$12,000
OPERATIONS/MAINT.	\$15,000
MARKETING/ADMIN/SECURITY	\$200,000
TOTAL	\$461,000
NET FROM ADMISSION REVENUE	\$463,000

Source: Dean Runyan Associates

*220,000 paid visitors @ \$4.20 (blended rate)

Attendance Calculations

These income projections are conservative figures with an attendance rate less than half the average – attendance could rise to well above this level once marketing programs are fully in place.

Table 2
Bay Area Population, by County, 2006

<u>County</u>	<u>Population (000)</u>
San Francisco	744
San Mateo	705
Alameda	1,457
Contra Costa	1,024
Marin	249
Total	4,179

Note: figures do not include Santa Clara County
Source: US Census

Table 3
Attendance Projections

<u>Capture Rate</u>	<u>Projected Attendance</u>
50	208,950
65	270,000
100	417,900
150	626,850

Note: Attendance per 1,000 residents
Source: Dean Runyan Associates

For projection purposes an adult admission fee of \$5.00 is used, with a youth fee of \$3.00. Given an estimate of the relative proportions of each admission category, the overall fee is \$4.20 per person. School group admissions are at no cost, and are not included in this figure.

Table 4

Net Income and Start Up Expenses

Subtracting the estimated \$461,000 in expenses from this gross figure leaves a **net income for the first operating year of \$463,000.**

We have calculated the expenses outlined in the report to make sure we have the best possible cost projections. We have not identified any additional start up costs except the capital expenses required to make the gates ready to take admissions. A source for providing this one-time cost has been identified, and the funds will not have to come from annual revenues, except for regular maintenance costs.

Capital Improvements Necessary to Implement Admissions Program
 San Francisco Botanical Garden
 July 2008

NECESSARY IMPROVEMENTS

Friend Gate Improvements (kiosk)	\$210,000
Main Gate (kiosk)	\$210,000
Signage at both gates	\$120,000
Main Gate: Gate Changes	\$30,000
Friend Gate: Amend Exterior Approach	\$10,000
New Service Gate, CFB Lot	<u>\$220,000</u>
Subtotal Necessary Improvements	\$800,000
+9% inflation for 3 years	<u>\$240,000</u>
	\$1,040,000

ADDITIONAL DESIRED IMPROVEMENTS

Service Gate on MLK Drive	\$240,000
+9% inflation for 3 years	<u>\$70,000</u>
	\$310,000
TOTAL CAPITAL IMPROVEMENTS	\$1,350,000