

Keep The Arboretum Free

March 1st, 2010

Dear S.F. Recreation and Parks Commissioners,

We are writing you to object to the non-resident fee plan presented by the Recreation and Park Department for your consideration. Despite the claim by those supporters of the fee that the Arboretum will fall into decline, we are persuaded that the non-resident fee is simply to establish the infrastructure for fees for all, something the Botanical Society has wanted for many years. The current budget crisis is the opportunity that is being seized upon to impose the fees by both the Mayor's staff and the Botanical Society. You will recall the Mayor and RPD proposed Fees for all in 2009.

We believe that a non-resident fee would eventually lead to fees for residents as well. The Japanese Tea Garden is a vivid example of this process where a public garden was walled-off and access was gradually curtailed to the point that now residents must pay a fee, rarely visit there and the garden is just a tourist attraction. Once fees for all are imposed, no resident will regularly pay a fee to enter the Arboretum and therefore the fee will either exclude people from the Arboretum altogether or force them to buy an annual membership in the private non-profit Botanical Society in order to access the gardens. In the past year we have gathered thousands of names in a petition to oppose any fees. Overwhelmingly, those who visit the Arboretum express their satisfaction with its status and quality and emphasize that free access is a high priority for them. By management's estimation, attendance would drop-off by 50% with fees that are half what they are proposing here. We find that unacceptable. Our public spaces are for the public and restricting access to those who can pay goes against the wishes the people of San Francisco, whose land it is.

Our analysis shows that the RPD plan can be very misleading and actual net revenue margins are materially smaller than forecast. Indeed, small enough to fall within a reasonable margin of error and potentially leading to losses. This suggests that a justification for instituting resident fees would soon be asserted since capital would have been spent on gates and kiosks and people hired – over \$461,000 per year of added expense would need to be supported. This plan doesn't address any shortfall rather we believe it sets the stage to institute fees across the board in the future.

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.**

We want our officials to react responsibly to fiscal cycles (even in the midst of a strong cycle like what we're seeing currently) and not put in-place irreversible measures that permanently damage the public quality of life. Tactically, RPD has folded-in these fees in the budget along with fee increases at Coit Tower and packaging both as \$450,000 of revenue. Moreover, RPD has decided to tie a punitive cut of 3 gardeners to the Arboretum (valued by them at \$250,000) should the fee measure fail. Please move to disaggregate this tactic from the core issue with the fee and have the Coit Tower and gardener issues no long linked to the Arboretum fee proposal.

There are two perspectives clashing here. The fee perspective is that the Arboretum & Botanical Garden should be **exclusively** for those who will pay to enter and for botanical & horticultural education. The second perspective is that the Arboretum & Botanical Garden is a public garden on public park land that belongs **inclusively** to all the people, not only to those who can afford to pay to enter, or to the Botanical Society, or to those seeking horticultural and botanical information. In this case, the proposal would go against the wishes of the 5,000+ members of the public who signed our petition to keep the Arboretum free of gates and fees. Please reach deeper and address the entire Recreation and Park Budget in a creative, sustainable and equitable manner without resorting to destructive techniques such as fees and fines.

Morally and certainly given the discrepancy in way RPD has calculated contribution from this plan, we are asking you to eliminate this measure from the current RPD Budget and any related Ordinances.

Sincerely,

The Committee to Keep the Arboretum Free

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%