

MINUTES OF THE JOINT METRO COUNCIL/OREGON ZOO FOUNDATION WORK SESSION MEETING

Thursday, October 4, 2007
Oregon Zoo – Skyline Room

Councilors Present: David Bragdon (Council President), Kathryn Harrington, Robert Liberty, Rod Park, Brian Newman

Councilors Absent: Rex Burkholder (excused), Carl Hosticka (excused)

Oregon Zoo Foundation Board Present: Penny Serrurier (Chair), Jon Kruse, Carter MacNichol, Bruce Berning, Cam Henderson, Dan Jarman, Pam Leavitt, Kristin Lewis, Erik Nelson, Beth Ugoretz, Suzanne Bishop, Isaac Regenstreif

Oregon Zoo Foundation Board Absent: Tim Chapman, Cindy McPike, Nancy Arend, Mike Baele, Kregg Hanson, Donna Morrow, Barbara Rommel, Keith Parker

Also Present: Michael Jordan (Metro COO/Zoo Future Vision Committee), Daniel Cooper (Metro Attorney), Tony Vecchio (Zoo Director), Sandra McDonough (Portland Business Alliance/Zoo Future Vision Committee), Walt Pollock (Zoo Future Vision Committee), Rick Biddle (Schultz & Williams), David Towne (consultant)

Council President Bragdon convened the Joint Metro Council Oregon Zoo Foundation (OZF) meeting at 4:11 p.m., then, handed the meeting over to Councilor Newman.

I. INTRODUCTIONS

Councilor Newman welcomed everyone to the second joint meeting of the Metro Council and OZF. At the first meeting two years ago, he said the group had recognized the zoo's success but noted some concerns about its future. The Oregon Zoo Future Vision Committee was formed and, a year ago, consultants were brought on board. The committee reviewed what was going on at the zoo, identifying challenges and stakeholders, and developed a master plan. Councilor Newman thanked the committee for its diligence, then, introduced Penny Serrurier, Chair of the Oregon Zoo Foundation, to begin a walk-through of the master plan summary.

II. PRESENTATION AND DISCUSSION OF THE OREGON ZOO FUTURE VISION COMMITTEE REPORT AND RECOMMENDATIONS FROM THE OREGON ZOO STRATEGIC MASTER PLAN

A. Planning Team

Ms. Serrurier noted the members of the Zoo Future Vision Committee, along with the consultants hired to assist with the master plan, a consortium of zoo experts led by Rick Biddle of Schultz & Williams and David Towne, former executive director of the Woodland Park Zoo, working along with Jones & Jones, a Seattle architecture firm.

B. Planning Process

She said the committee wanted a plan to address not just the zoo's physical state but also its business practices and finances. The consultants also conducted interviews with stakeholders from the business community, neighborhood and others who have an interest in the zoo.

C. Strategic Priority Areas

The following main areas were addressed:

- *Education, Conservation and Research Programs*
- *Facilities and Exhibits*
- *Strategic Business Practices*
- *Management Structure and Financial Performance*

Ms. Serrurier said that compared with similar institutions, the Oregon Zoo was doing extremely well.

D. Core Directives

Throughout the process, the committee kept in mind the zoo mission: *Inspiring our community to create a better future for wildlife.*

E. Key Findings

- *Access and Utilization:* Ms. Serrurier noted that access was a key issue, with insufficient parking during the busy months and underutilization of the MAX.
- *Conservation Education Programs:* Doing well, with more than 30,000 education program participants each year and one of the country's most successful summer camp programs.
- *Financial:* Attendance figures were very positive: 1.5 million visitors in FY07. Revenues had increased and margins were good.

F. Key Benchmarks

- *Zoo Attendance Penetration:* With 1.5 million visits last year, and 1.3 million people in the metro area; the zoo's market penetration was more than 100% (high compared to similar zoos).
- *Cost per Visitor:* The zoo had one of the highest costs per visitor and one of the lowest admission fees.
- *Allocation of Resources and Utilization of Amenities:* The Zoo did well with extras.
- *Personnel Services as a Percentage of Operating Expenses:* Zoo management was paid significantly lower than the industry average.
- *Marketing Expenditures:* significantly lower than the industry average.

G. Challenges

- *Access Limitations:* More than 100 days a year, the zoo was accessing offsite parking facilities that were not secure to it. The zoo could face serious revenue shortfalls in the future.
- *Operating Costs/Revenues:* Projections showed that, over time, zoo operations weren't sustainable at the current level.
- *Increased Demand and Opportunity for Conservation Programs:* To sustain its mission into the future, the zoo must expand its conservation and education work.

H. Conservation Programs and Education

Councilor Newman, who noted that when zoos started, they were not connected to a larger mission of trying to get people to care for, and create a better world for, what they see. These days, he said, our zoo was focused on inspiring people, and we should aim to strengthen our brand as the national leader in conservation programs and education events.

- *Facilities:* We needed to create a central environmental education hub on the zoo campus.
- *Funding:* The OZF, because of its nonprofit status and focus on philanthropy, could be used more effectively to raise money specifically for conservation education.

- *Metro Bond Measure*: Councilor Newman said they had talked about an opportunity to do some kind of funding measure (*bond* was probably not the right word), under Councilor Burkholder's leadership, to raise resources for conservation education as well as maintenance for natural areas.

I. Facilities and Exhibits

Councilor Newman noted that the zoo was in pretty good shape—much has been recently constructed or redone—so the committee focused on four areas:

- *Access and Parking Improvements*: The zoo used two satellite lots, and had no signed agreement with either. This overflow parking was critical for the zoo's success. The committee recommended the following short-term action steps:
 - Obtain a long-term lease for overflow parking at the Sylvan interchange
 - Improve signage, including digital information at key Washington Park access points
 - Provide real-time traffic and parking information on the Web
 - Test incentives to encourage light-rail use

Long-term recommendations steps:

- Explore options for a new parking deck
- Commence planning to convert the current maintenance lot into on-site parking

Together, these steps would add about 420 spaces onsite. Obviously, they would require some kind of funding mechanism—paid parking was likely.

- *Animal Care and Maintenance Buildings*: The zoo needed to commence planning and design on new vet/quarantine buildings, and have a funded plan in place before the next AZA accreditation in 2010. It also should begin work on a new maintenance facility.
- *Elephant Care and Exhibit*: In terms of exhibits, this was the most pressing need once the Predators of the Serengeti campaign was completed. To continue its leadership in elephant breeding, research, scholarship and care, the zoo should double the size of the existing exhibit. The long-term action step would be to look at offsite facilities.
- *Conservation and Education Campus*: A new campus, consolidated near the location of the old zoo entrance, would be the physical representation of the zoo's commitment to conservation education. The facility should emphasize high quality visitor experiences, with more programming in winter. The recommended campus had:
 - Classrooms, outdoor learning spaces and a multi-use facility
 - A secondary entrance for school groups, education lectures and other specialty visits
 - Research areas and lab space

Councilor Newman said the committee toured several Northwest zoos, noting that many now include kid-focused areas—e.g., Point Defiance Zoo's "Kids' Zone" and the Woodland Park Zoo's "Zoomazium." Our zoo needed to think about including an area like this, incorporating play that was appropriate to the zoo but also educational.

J. Management Structure and Performance

Ms. Serrurier said the committee looked at four different management options:

- *Continuation of Current Management*: i.e., no change.
- *Greater Financial Autonomy*: In particular, this model looked at:
 - The reinvestment of operating surpluses
 - Containment of Metro cost allocations
 - Use of excise revenues earned at the zoo
 - Director's program allocations and performance incentives
- *Expanded Role for OZF*: Moving some of the zoo's current programs to OZF.
- *Nonprofit Management*: Turning operations over to a nonprofit entity.

The committee favored the second option (greater financial autonomy). It also recommended that the OZF board take a closer look at option 3 (expanded role) to see if that made sense.

J. Strategic Business Practices

On the business side, Ms. Serrurier said, the committee recommended the following:

- *Implement a seasonal admission program*
- *Re-bid retail services in 2008 to provide increased commissions payable to the zoo*
- *Increase parking fees*
- *Allow reinvestment of excise revenues to fund deferred maintenance expenditures*
- *Limit and/or make predictable Metro's central service allocations.*

K. Implementing the Plan

Councilor Newman said the committee had filtered through much information, focusing on a handful of things, which all required additional work to flesh out.

- One tool that needed to be considered was a bond measure. Funding everything that had been talked about would be in the neighborhood of \$90 million (though the committee was not recommending a \$90 million bond measure). OZF would have to take the lead in researching/evaluating whether the public was receptive to a package in the near term.
- Conduct a formal evaluation of the benefits to be gained by OZF managing and operating conservation education programs and potentially guest services functions.
- Continue to partner with regional funding agencies to increase the reach of the zoo and the success of its conservation education programs.

On the business side, we should work to provide zoo staff with greater management flexibility and entrepreneurship, and also find ways to save money.

- Promote the timely reinvestment of operating surpluses back into the zoo.
- Investigate strategies to limit central service allocation costs.
- Reinvest excise revenues to support deferred maintenance and major repairs.
- Implement seasonal pricing and parking fees.
- Invest more in the zoo's senior management positions.
- Develop and implement new visitor experiences and animal exhibits.

L. Discussion

Councilor Newman invited comments and questions.

Council President Bragdon wondered what was driving the zoo's high cost per visitor relative to other zoos. David Towne, Consultant, noted that the Northwest was a high-priced area compared with Louisville and some of the others cited—wages were higher here, and he believed, expectations were higher.

Councilor Park asked about the zoo's market penetration and how that might play out into the future—did we have a business model that was sustainable? Ms. Serrurier said that given current assumptions about cost increases and attendance, the zoo would go into red. Councilor Liberty noted that the population in the region was 2 million, so there was still plenty of room to grow.

Councilor Harrington wondered toward what end more money should be spent on marketing? Councilor Newman confirmed the goal was to increase attendance during non-peak periods. Tony Vecchio, Oregon Zoo Director, also noted the need to market the MAX, adding that the zoo could accommodate more visitors in summer, but there's no place to park.

Rick Biddle provided the following breakdown of the \$90 million:

- Parking deck: \$10 million
- Maintenance facility: \$800,000
- Vet/quarantine facility: \$7 million
- Conservation education campus: \$5.5 million
- Elephant: \$13.5 million (offsite facility not included)

- Strategic improvements: \$9.2 million (bears, green, walkways, safety enhancements)

The rest is A&E, design construction contingency, inflation.

Penny Serrurier cited the need for a protocol to ensure zoo profits are reinvested in the zoo.

Councilor Newman noted the zoo's big need for maintenance/capital improvement, because of the nature of its business and the number of people who visit. Metro has put in place a funded deferred maintenance for the entire agency, but there is concern that it's been under funded, particularly in terms of deferred maintenance for the zoo. We need to make those key investments on a regular basis. We also have to improve the zoo experience continually, because we are so dependent on admissions (57% of the operating budget).

Councilor Park asked what return there would be on an investment in a \$10 million parking deck. Councilor Newman said we don't know yet. The biggest issue is, we have to address access, particularly if we lose those offsite lots. I don't think you can get a parking structure at the zoo without having some kind of revenue funding it.

Jon Kruse noted that, from an OZF perspective, the concerns are about how to control indirect/overhead costs. Cost control is the ultimate driver that seemed to go black to red, despite success on the top line. Sandra McDonough said the zoo's falling short in what we could be doing in conservation education, which is such an important part of the zoo's mission. We need to invest.

Council President Bragdon said the zoo is an enterprise and needs to relate to customers differently than typical government organizations; incentives for managers were a great idea. At the same time, the zoo is a government institution. The summary report cites chargeback allocations for "Metro services," but those are really just overhead functions a zoo has to have (e.g., risk management, payroll services). Council President Bragdon also felt the excise tax has been mischaracterized by Metro and could be burdening an enterprise activity.

Councilor Liberty invited management to talk about more autonomy, which led to a discussion of an e-mail Councilor Burkholder had sent in response to the summary report. Councilor Newman said Councilor Burkholder had misunderstood the committee's recommendations. The committee was not recommending privatization of the zoo, he said. The autonomy around the issue of programming was to allow for an expansion of the zoo's conservation education mission, which is currently limited by funding.

Councilor Park wondered why moving operations to fundraising organization would be an advantage. Ms. Serrurier responded that it was a flexibility and cost issue: you could do more with less money if you hired personnel through a nonprofit. Councilor Harrington thought such a move would be in a totally different direction from where Metro was moving. Councilor Newman disagreed, noting that for the zoo was to fulfill its mission, it was going to take new resources—

but these would not be divorced from collaboration/coordination with other Metro conservation efforts.

Councilor Harrington disagreed with Councilor Newman's characterization of Councilor Burkholder's e-mail. She said she was hearing a stronger divest message in the presentation.

Ms. Serrurier stressed that the committee thought this needed further examination, particularly on the issue of conservation/education. Walt Pollock, Oregon Zoo Vision Committee member, noted that creating a better future for wildlife was the driver, inspiring people to contribute money to the zoo. The foundation needed to have a very fundamental role in conservation education.

Councilor Liberty urged the group not to focus on areas of perceived disagreement that may not loom so large—e.g., allocated costs. The idea of nonprofit management was not an implied criticism of what Metro was doing but a matter of: OZF could be doing more for the zoo; we ought to help them.

Council President Bragdon said the goal should be to maximize what each of the institutions could do and minimize the downside. From a revenue perspective, it was a three-legged stool: (1) taxpayers, represented by the Metro Council; (2) OZF, which could do things that government could not; and (3) the customer who chose to visit—that was the enterprise. The zoo was a very unusual hybrid-type organization. How did we maximize the upside on all three of those functions?

Rick Biddle, Schultz and Williams, reaffirmed Council President Bragdon's comments about maximizing resources, and said we also needed to maximize visitor expectations. Once expectations changed, he said, we had problems. Mr. Biddle added that the reason the zoo was successful was the passion of its employees.

Councilor Newman said that ultimately, the story was that the zoo was very successful and we did not need to radically change the structure. We arrived at a number of smaller, strategic changes. We needed to explore. More needed to be done. But he did not want that to overshadow concerns about access and facility improvements that were warranted.

Isaac Regenstreif, Oregon Zoo Foundation Board member, remarked that, despite some tension today, he sensed a real partnership between OZF and Metro. Dan Jerman, Oregon Zoo Foundation Board member, added that we could trace the zoo's success to the way it was run.

Councilor Park said he appreciated the work everybody put into this report. Acknowledging sensitivity on both sides regarding some of the issues discussed, he noted that part of the government structure was accountability.

Councilor Newman thanked everyone, and Council President Bragdon credited Councilor Newman with the great relationship between Metro Council and OZF. Ms. Serrurier said Councilor Liberty had also been fantastic in that regard.

Councilor Newman concluded that this was just a framework moving forward, and that he was committed to continuing conversation.

III. ADJOURN

Metro Council Meeting

10/04/07

Page 7

There being no further business to come before the Metro Council or the Oregon Zoo Foundation, Council President Bragdon adjourned the meeting at 6:08 p.m.

Prepared by

A handwritten signature in cursive script that reads "Hova Najarian". The signature is written in black ink and is positioned above the printed name and title.

Hova Najarian

Clerk of the Council Assistant

**ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF
OCTOBER 4, 2007**

Item	Topic	Doc. Date	Document Description	Doc. Number
1	Executive Summary	October 2007	To: Metro Council From: Oregon Zoo Future Vision Committee Re: Oregon Zoo Strategic Master Plan Executive Summary	100407cw-01
1	Power Point Presentation	October 4, 2007	To: Metro Council From: Oregon Zoo Future Vision Committee Re: Oregon Zoo Strategic Master Plan Executive Summary power point presentation	100407cw-02
1	CD	October 4, 2007	To: Metro Council From: Oregon Zoo Future Vision Committee Re: Strategic Master Plan Appendices	100407cw-03