

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING THE) RESOLUTION NO. 17-4780
OREGON ZOO BOND IMPLEMENTATION)
PLAN AND TO ALLOCATE PROGRAM) Introduced by Chief Operating Officer
RESERVES) Martha J. Bennett with the Concurrence of
) Council President Tom Hughes

WHEREAS, at the General Election held on November 4, 2008, the Metro Area voters approved Oregon Zoo Bond Measure 26-96, entitled "Bonds to Protect Animal Health And Safety; Conserve and Recycle Water"; and

WHEREAS, in 2010, the Zoo launched the Oregon Zoo Comprehensive Capital Master Plan process, to ensure that the Oregon Zoo Bond Measure is implemented within budget, in a fashion that effectively integrates bond projects with existing exhibits, preserves opportunities for future non-bond funded projects and makes the maximum use of existing and proposed infrastructure; and

WHEREAS, via Metro Council Resolution 11-4292, entitled "For the Purpose of Approving the Oregon Zoo Bond Implementation Plan," the Metro Council approved the Zoo Bond Implementation Plan portion of the Oregon Zoo Comprehensive Capital Master Plan; and

WHEREAS, the Zoo Bond Implementation Plan contains bond fund allocation project budgets ("Project Budgets") for each Oregon Zoo Bond Measure project. The Polar Bear Passage Project construction budget listed in the 2011 Bond Implementation Plan was \$18,079,392. Including project staff and owner's contingency costs, the total Project Budget was established at \$20.1 million; and

WHEREAS, on February 4, 2016, to address escalating costs in the construction market, the Metro Council adopted Resolution 16-4684, entitled "For the Purpose of Amending the Oregon Zoo Bond Implementation Plan," wherein Metro Council amended the Zoo Bond Implementation Plan portion of the Oregon Zoo Comprehensive Capital Master Plan to make \$1 million in Polar Bear Passage Project Scope Reductions and approved the allocation of \$2.6 million of Zoo bond program contingency funds to the Polar Bear Passage Project, for a revised project budget of \$22,707,853; and

WHEREAS, on February 18, 2016, the Metro Council accepted the Chief Operating Officer's recommendation and determined not to develop and operate a Remote Elephant Center; eliminated the Remote Elephant Center Set-Aside Fund from the Metro Council's recommended list of Ballot Measure 26-96 projects set forth in Metro Council Resolution No. 08-3945; and directed staff to propose alternative uses for the \$5.8 million bond funds currently allocated for that purpose; and

WHEREAS, the \$125 million in bond funds originally available in 2008 to support animal welfare, conservation education and sustainable infrastructure investments at the Oregon Zoo has since increased to \$149 million due to bond sale premiums, interest earnings, project savings/reallocations and grants, donations and rebates, and

WHEREAS the Zoo bond program holds current unallocated reserves of \$12.5 million; and proposes to allocate a portion of said reserves; and

WHEREAS, for the Polar Bear Passage Project, Metro proposes to allocate \$1 million from Zoo bond program reserves to address further cost escalation in the construction market and add an additional \$2.2 million for project enhancements, consisting of \$1.3 million in program reserves combined with \$900,000 committed by the Oregon Zoo Foundation, for a revised project budget of \$25.9 million; and

WHEREAS, the Primate/Rhino construction budget listed in the 2011 Bond Implementation Plan was \$10,404,494. Including project staff and owner's contingency costs, the total Project Budget was established at \$14.2 million; and

WHEREAS, for the Primate/Rhino project, Metro proposes to allocate an additional \$2.6 million from Zoo bond program reserves to address further escalation of costs in the construction market, for a revised project budget of \$16,846,069; and

WHEREAS, Metro proposes to allocate \$1.5 million from Zoo bond program reserves to replace two old, outdated and inefficient emergency power generators and associated electrical infrastructure; and

WHEREAS, Metro proposes to allocate \$3.3 million from Zoo bond program reserves to support program administration and central service costs through the end of construction of the bond program; and

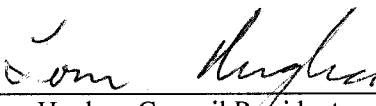
WHEREAS, Metro proposes to allocate \$1 million in Zoo bond program reserves to support close-out of the bond program and to hold as program contingency funds; and

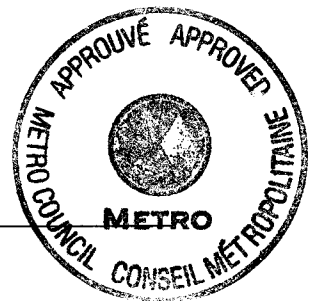
WHEREAS, the Oregon Zoo Bond Citizens' Oversight Committee established by Bond Measure 26-96 (the "Oversight Committee") is responsible for reviewing progress on project improvements, monitoring spending, and considering and recommending project modifications to account for escalation in construction costs, and supports the allocation of bond program reserves set forth in this resolution, now therefore

BE IT RESOLVED that the Metro Council hereby:

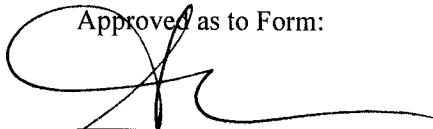
Amends the Zoo Bond Implementation Plan portion of the Oregon Zoo Comprehensive Capital Master Plan to allocate Zoo bond program reserves as follows: \$2.3 million to the Polar Bear Passage project budget; \$2.6 million to the Primate/Rhino project budget; \$1.5 million to address outdated electrical infrastructure; \$3.3 million to support program administration and central service costs through the end of bond program construction; and \$1 million to support close-out of the bond program and to hold for program contingency.

ADOPTED by the Metro Council this 16th day of March 2017


Tom Hughes, Council President



Approved as to Form:


Alison R. Kean, Metro Attorney

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 17-4780, FOR THE PURPOSE OF AMENDING THE OREGON ZOO BOND IMPLEMENTATION PLAN AND TO ALLOCATE PROGRAM RESERVES

Date: March 6, 2017

Prepared by: Heidi Rahn, 503-220-5709

BACKGROUND

Zoo Bond Program Funding and Project Status

In 2008, voters approved \$125 million in bond funds to support animal welfare, conservation education, and sustainable infrastructure investments at the Oregon Zoo. This funding has since increased to \$149 million due to bond sale premiums, interest earnings, and grants, donations and rebates. The Oregon Zoo Bond Program currently has \$12.5 million in unallocated funds available to support the final projects. Staff is seeking feedback from the Metro Council regarding the allocation of the remaining funds.

The Oregon Zoo is confident in its ability to complete all of the projects approved by the voters and to deliver on the public promise. The zoo has completed construction of five projects to date, all within approved budgets. The final three projects – Polar Passage, primate habitat and rhino habitat – are scheduled to be complete by 2020.

The scope and budget for each project was originally developed in 2011 as part of the Oregon Zoo Master Plan. Funds were allocated to each project to ensure successful completion. Given the significant construction cost escalation in the region and recommended scope modifications, staff seeks Council feedback on proposed project amendments.

Budget Allocation Process

Staff has engaged key stakeholders in project design and cost analysis, including Oregon Zoo staff, the Oregon Zoo Foundation and Oregon Zoo Bond Citizens' Oversight Committee. Staff presented a draft recommended budget allocation and project modifications during the March 7, 2017, work session for feedback.

The charter of the Oregon Zoo Bond Citizens' Oversight Committee calls for the Committee to make recommendations regarding significant project modifications and budget allocation. The group has set up a subcommittee to analyze fund availability and propose budget allocations to remaining projects. The Oversight Committee will recommend a budget allocation and project modifications to the Metro Council on March 16, 2017.

In December 2016, the Metro Council supported the following guiding principles defined by the Zoo Bond Citizens' Oversight Committee to address fund allocation:

- Align fund allocation to comply with the requirements and commitments of the original zoo bond ballot measure 26-96 and any other applicable legal restrictions or requirements.
- Recommend fund allocation that aligns with zoo conservation programming, anticipated species focus, and animal welfare priorities to the greatest degree possible and based on the best

information available – including the zoo’s conservation priorities, zoo staff input, anticipated changes to Association of Zoos and Aquariums standards, financial forecasts, and cost estimates.

- Consider and be sensitive to public perceptions, seek to provide transparency about allocation changes, and highlight “value-added” contributions from nonbond sources.

The Metro Council also requested the zoo bond program continue to focus on supporting diversity and equity in upcoming zoo projects and their construction.

Budget Allocation Recommendation

Staff focused the budget allocation analysis on construction cost escalation, project scope modifications, and program administration. Proposed budget amendments ensure all three remaining projects can be successfully completed.

Cost Escalation

Staff proposes allocating \$3.6 million to the original master planning budgets to address cost escalation on the three remaining projects.

Project Modifications

The Oregon Zoo Foundation recommends the allocation of \$1.3 million to enhance the Polar Passage project, utilizing unallocated Foundation funds previously provided to the bond program. The Foundation will also provide an additional \$900,000 to support project enhancements.

To continue investing in sustainable infrastructure, staff is recommending a budget allocation of \$1.5 million to replace two outdated generators and associated electrical infrastructure critical to servicing animal areas.

Staff is also recommending an allocation of \$1 million to support the close out of the bond program, address newly discovered needs on previously completed bond projects (e.g., changing animal welfare standards, facility challenges, etc.), and hold for program contingency. Any remaining contingency at the end of the program will be available for capital improvements identified in the master plan.

Program Administration

Program administration and central service costs through the end of the program are estimated to cost approximately \$3.3 million more than originally budgeted. The additional funds will maintain appropriate staffing levels and pay for the necessary level of legal, accounting, procurement and other services provided by Metro shared services.

Recommended Allocation of Program Reserves

Current unallocated reserves	\$12.5 million
Primate/rhino – cost escalation	(\$2.6 million)
Polar Passage – cost escalation	(\$1.0 million)
Polar Passage – project modifications	(\$1.3 million)
Electrical infrastructure	(\$1.5 million)
Contingency for bond close out	(\$1.0 million)
Program administration	(\$3.3 million)

Remaining unallocated* **\$1.8 million**

*Hold for Master Plan capital investments and/or update

Recommended Budget Amendments

	Proposed Amendment	Current Budget	Revised Budget
Polar Passage	\$ 3,248,334*	\$ 22,707,853	\$ 25,956,187
Primate/rhino	\$ 2,605,848	\$ 14,240,221	\$ 16,846,069
Electrical infrastructure	\$ 1,500,000		\$ 1,500,000
Program administration	\$ 3,287,119	\$ 3,912,881	\$ 7,200,000
Program contingency/close out	\$ 1,000,000		\$ 1,000,000

*Includes \$900,000 from Oregon Zoo Foundation

ANALYSIS/INFORMATION

1. **Known Opposition** None
2. **Legal Antecedents** Metro Code 2.04.054, 2.04.054©; Oregon Revised Statutes 279C.335(4).
3. **Anticipated Effects** Staff feels that the costs are reasonable and necessary for the continued successful execution of the bond promise.
4. **Budget Impacts** Allocation of \$10.7 million of the \$12.5 million in unallocated zoo bond program reserves will assist in the successful completion of the polar bear, primate and rhino habitat upgrades, support critical energy infrastructure upgrades, and ensure the ballot measure commitments are met.

RECOMMENDED ACTION

Amend the Zoo Bond Implementation Plan portion of the Oregon Zoo Comprehensive Capital Master Plan to allocate Zoo bond program reserves as follows: \$2.3 million to the Polar Bear Passage project budget; \$2.6 million to the PRIMATE/Rhino project budget; \$1.5 million to address outdated electrical infrastructure; \$3.3 million to support program administration and central service costs through the end of bond program construction; and \$1 million to support close-out of the bond program and to hold for program contingency.