



# Oregon Zoo Bond Citizens' Oversight Committee Report

FEBRUARY 2012

## Who we are

We are the Oregon Zoo Bond Citizens' Oversight Committee ("the Committee") appointed by the Metro Council in January 2010. We met four times in 2011; February, June, August and November. We currently have 17 members. The Committee members bring to the committee skill sets from a diverse set of backgrounds (see Appendix A).

Our meetings typically involve interactive presentations involving the Zoo Bond Program team and Oregon Zoo staff. There is considerable discussion and question/answer time devoted to each meeting.

The Committee operates under a charter it developed that essentially incorporates the governance and reporting requirements of Metro Council Ordinance 10-1232, but also provided for a vice chair position in addition to the chair position called for by the ordinance.

The Committee operates at a relatively high oversight level. Our charge is to determine if the Zoo Bond Program is on the right path in terms of structure, expenditures and achievement of defined goals. We do not make specific project decisions. We look at how decision-making occurs and how business is conducted. We seek to help ensure that the right processes and controls are in place so that the best possible value can be realized from the voter-approved Zoo Bond funds. As you can see from the attached organizational chart of the Zoo Bond Program (Appendix B), there are many different levels of interaction and oversight.

## Why we exist

The 2008 Zoo Bond Measure titled, "Bonds to Protect Animal Health and Safety: Conserve, Recycle Water," (the "Zoo Bond") called for a citizen oversight committee to do the following:

1. Assess progress in implementing the Oregon Zoo Bond Measure project improvements.
2. Report on project spending trends and current cost projections, and review and report on the Annual Independent Financial Audit of spending.
3. Consider and recommend project modifications intended to account for increases in construction costs in excess of budget estimates, to ensure that the purpose and promised of the Oregon Zoo Bond Measure is fully realized.

## The committee's reporting requirement

We are required to report annually to the Metro Council regarding the progress of the Zoo Bond Program. This document satisfies that requirement.

### REQUIRED REPORTING ITEM 1

#### Assessment of progress

- The Zoo Bond Program has a clear organizational and governance structure, and processes appear to be in place to ensure that Metro will be a good steward of the bond money.
- This structure has been enhanced by the completion of a Comprehensive Capital Master Plan. The Comprehensive Capital Master Plan is used to address project sequencing, scope, programming and budgeting for the remaining bond projects. The Comprehensive Capital Master Plan will provide a clear blueprint for the process to realize bond measure goals. The plan was approved by the Metro Council in September 2011.
- The Veterinary Medical Center was completed during this reporting year, replacing the substandard veterinary and quarantine buildings with a new facility that meets standards set by the Association of Zoos and Aquariums. The Veterinary Medical Center was completed in December, within acceptable variances in the schedule, due to change orders, and under budget. Staff moved in and the grand opening was celebrated in January 2012.
- The Penguin Life Support System Upgrade was designed to conserve water and improve water quality. The program completed the work outside the expected timeframe, but the budget impact was negligible due to the contractor's responsibility to reimburse project expenses associated with the delay. The life support system project is complete; however, the penguins have not been moved back into the exhibit because the Heating Ventilation and Air Condition (HVAC) system is not properly managing exhibit humidity. Modifications to the HVAC system were not part of the life support system upgrade and the moisture level of the exhibit air was not modified by the project. Zoo Facilities Maintenance is managing repairs and the zoo is funding the HVAC system repair, not the Zoo Bond Program or bond funds. The penguins remain housed at the polar bear exhibit with no negative impact to animal health or welfare.
- In recognition that elephants are the Oregon Zoo's signature species, Metro prioritized the On-site Elephant Habitat project in terms of timing and the financial resources dedicated to it. The project will significantly expand the habitat, allowing for an evolution in the way the elephants use their space, which supports the zoo's vision for elephants to live in family herds. The project will provide the elephants a new barn and indoor habitat. The elephant habitat expansion has implications for other parts of the zoo. Related sub-projects include: 1) relocation of the train loop, 2) a new perimeter service road, 3) relocating the Wild Life Live program and 4) water and energy sustainability measures, including LEED Silver Certification for the elephant buildings, and a new campus geothermal loop to reduce the use of fossil fuels for heating and cooling.



Metro has contacts in place for design and Construction Manager/General Contractor for this project. The project is expected to be completed in 2015.

- As part of the offsite Elephant Habitat Project, Metro Council Resolution No. 11-4230 authorized Metro to enter into options to purchase real property for the purpose of providing a remote elephant center. Metro has an option for property near Sandy, Oregon and is still looking at other properties as they become available and/or identified. Work continues on planning and design, funding strategies for additional capital and operating needs, the process to secure land use approvals, and needed communications to many stakeholders. The Metro Council also authorized staff to continue financial feasibility planning and to work with the Oregon Zoo Foundation on fundraising campaign. The zoo is currently funding these efforts from its operating budget.
- Land use planning has been proceeding on two tracks: (1) an amendment to the existing Conditional Use Master Plan (CU MS) to allow work for the On-site Elephant Habitat and related projects and the Condor Habitat to proceed, and (2) an application for a new CU MS for the remainder of the specific bond projects and overall all master plan improvements. As the Committee noted in its 2011 report, given the requirements to obtain a new CU MS, this appears to be a good strategy in that it is expected that it will allow construction to begin on the On-site Elephant and Condor projects while work continues on the new CU MS.

In September 2011, three months behind the original schedule, the CU MS amendment was filed with the City of Portland. On March 2, 2012, Metro received approval.

The preparation of the new CU MS was originally expected to be completed in the fourth quarter of 2011 but it is still under development. Based on the presentations and materials provided to the Committee, this is a time consuming and expensive effort. Obtaining land use approvals, particularly of this scale, and with the involvement of other Washington Park Alliance members and the adjacent neighborhood associations, can be complex and difficult. We continue to recommend that Metro ensure that this process receives adequate oversight and appropriate resources. We recommend that this process continue to be monitored closely, with a keen focus on making sure the risk appropriate level of resources are dedicated to achieving the necessary approvals.

- The program appears to be adequately staffed in its current phase. There appears to be a continued need for communication and outreach assistance, particularly given the land use efforts underway and the number of constituent groups involved with or affected by the Zoo Bond projects.



**REQUIRED REPORTING ITEM 2****Report on spending trends and current cost projections and independent auditors report**

- The Zoo Bond Program is divided into four main areas: construction, project planning, land use approvals and administration covering nine total projects. As of December 31, 2011, the total amount budgeted for all program activities is \$133 million, including \$125 million from general obligation bond measure proceeds, \$5.2 million from the Oregon Zoo Foundation and approximately \$2.6 million in anticipated investment earnings.
- As reported by the Zoo Bond Program staff, Metro asked the Oregon Zoo Foundation to raise \$5.2 million to support the remaining bond projects. The Foundation agreed to provide the funds and pledged their existing reserves to meet the commitment. The Foundation committed to providing the funds no later than the start of the last scheduled project. These funds are intended to support all the remaining program projects and are not restricted by project.
- The Comprehensive Capital Master Planning (CCMP) was completed and adopted by the Metro Council on September 22, 2011. The CCMP development expenses totaled \$1.7 million, approximately \$124,000 under the established budget. The CCMP identifies budgets for the remaining bond funded projects. These budgets include inflation and cost escalation assumptions. The budgets were reviewed by two professional cost estimators and appear to have appropriate cost escalation and inflation assumptions and factors included.
- We recommend that the program continue to review and validate budgets and the inflation and cost escalation assumptions on an ongoing basis. Of principal concern to this committee is Metro's ability to complete all bond projects without sacrificing bond program and animal welfare objectives with the remaining funding. The CCMP process has been and will continue to be a crucial element to ensure efficient and effective use of bond proceeds. It is critical that the bond program staff continue to use the CCMP and resulting budgets and schedules to manage the remaining project scopes. This will help ensure that funding and resources are available to complete all bond commitments.

Construction is complete on the Veterinary Medical Center, the Penguin Life Support System Upgrade project and some of the water and energy projects. The Veterinary Medical Center finished on schedule and approximately \$300,000 under budget. The Penguin Life Support System Upgrade project finished approximately six months behind schedule and \$50,000 under budget. The general contractor paid for all additional consultant fees associated with the late completion. The savings on these two completed projects have been reallocated to future projects.

- The planned construction projects for 2012-2013 include the On-site Elephant Habitat and related projects and the Condor Habitat. In addition, the program is planning campus/program level Interpretive Design and the One-Percent for Art requirement. These four projects represent \$58 million (44 percent) of the total forecast program expenditures.



- We understand that the program has received Metro Council approval to use an alternative general contractor procurement method called the Construction Management /General Contractor approach for the On-site Elephant Habitat and related infrastructure project. Given the complexity of the Zoo Bond projects and the possibility of simultaneous construction projects, we support the continued consideration of alternative contracting methods such as this in order to reduce risk and achieve the most cost effective and efficient use of the Zoo Bond funds.
- Administration costs total \$1.3 million (8.6 percent) of the Zoo Bond Program's total expenditures through December 31, 2011. As expected with the completion of the CCMP, overhead has declined as a percentage of total bond project costs. These costs should continue to be monitored as the bond program moves forward, but do not appear unreasonable. The overhead expense allocation by Metro for support services is consistent with other Metro programs.
- The Oregon Zoo staff anticipates that the ongoing operating costs of the zoo will be neutral upon completion of the Zoo Bond projects, given the enhancements and efficiencies gained through new technologies and the modernization of zoo infrastructure. We believe it is important that staff continue to monitor this assumption as project planning matures to allow reasonable financial planning by Oregon Zoo staff.
- Financing costs for the Zoo Bond Program have been minimal to date. No new financing costs were incurred in 2011. The Metro finance team is currently working with outside counsel on the timing and amount of the third financing tranche. The first tranches were private placement issues in December 2008 and August 2010 for \$5 million and \$15 million, respectively. It is anticipated that the new financing will total approximately \$65 million.
- Within the adopted CCMP, \$7.2 million has been budgeted for the offsite elephant habitat. We recommend that prior to moving forward, the funding source of ongoing operating costs is identified.
- The annual audit report was issued on December 2, 2011 by Moss Adams. The auditors reported that nothing came to their attention that caused them to believe that Metro failed to comply with the provisions of the bond measure. No specific management letter comments were made and the audit report was published on January 19, 2012 in *The Oregonian*.

**REQUIRED REPORTING ITEM 3****Consider and recommend project modifications intended to account for increases in construction costs in excess of budget estimates**

We are not recommending any project modifications at this early stage in the Zoo Bond Program. Once the master plan is completed, we will review cost estimates and phasing of the bond projects, and we will continue to monitor these items over the life of the projects.

**The November 2011 Metro Auditor's Report**

Metro Auditor Suzanne Flynn issued an audit report in October 2011 titled, "Oregon Zoo Capital Construction Program Audit Follow-Up – Bond Projects Are Well Managed." This was a follow up to a 2009 Metro Auditor's audit titled, "Oregon Zoo Capital Construction: Metro's Readiness to Construct 2009 Bond Projects." Ms. Flynn presented the follow-up audit report to our committee in November 2011, and gave us the opportunity to ask questions. The follow-up report concluded that the Zoo Bond Program had implemented six of the seven recommendations contained in the 2009 Metro Auditor's report.

The one recommendation not yet implemented relates to the reporting of bond program information at both the project level and for the bond program as a whole. As was stated in the management's response to the October 2011 audit report, with the completion of the master plan and adoption by the Metro Council of the Bond Implementation Plan in September 2011, the scopes, schedules and budgets for all remaining bond projects are now known and can be used to provide information for the program as a whole. With this new and more complete information, bond program staff is actively engaged with the Citizen's Oversight Committee to enhance project reporting to our committee in the prepared written materials we receive.



## Appendix A – Committee Membership

### **Deidra Krys-Rusoff – Committee Chair**

Deidra Krys-Rusoff is a portfolio manager and a member of the fixed income team at Ferguson Wellman Capital Management. Krys-Rusoff is a native of Idaho, and earned her B.A. in zoology from the College of Idaho. She is on the board of directors of the Northwest Taxable Bond Club, past board member of the Junior League of Portland, and serves on several committees at Glencoe Elementary School.

### **Marcela Alcantar**

As president of Alcantar & Associates, Marcela Alcantar provides engineering support services in the community, producing quality construction documents and maps. She focuses on providing services for under-represented groups and students interested in the engineering field. Alcantar & Associates LLC was created to fulfill a personal and professional mission to provide exceptional engineering support services that result in effective, livable communities that are truly dynamic. The firm is certified in Oregon as a WBE/MBE/DBE/ESB (2395) design consulting and surveying support services firm. Its mission is to provide technical excellence in finding efficient and cost-effective solutions to meet its clients' needs.

### **Jacqueline Bishop**

Jacqueline Bishop is an attorney and previously worked at Roberts Kaplan, LLP, where she participated in the real estate, business and sustainability practice groups. She is a board member of We Love Clean Rivers, Inc., a representative on the Oregon State Bar's Sustainability Task Force, and a LEED Accredited Professional. Before graduating from Lewis and Clark Law School, Bishop worked as a wetlands and fisheries biologist.

### **Stephen D. Bloom**

Stephen D. Bloom has been executive director at the Portland Japanese Garden since 2005. He served as an international affairs fellow on the U.S. Council on Foreign Relations in Japan in 2008-2009, while also a visiting scholar at Tokyo University of Agriculture. Bloom's earlier background was in music. He served as executive director of the Tacoma Symphony from 1996 to 2000, and president of the Honolulu Symphony from 2000 to 2005.

### **David Evans**

Senior Vice President and Chief Financial Officer for The ODS Companies, Dave Evans is responsible for overseeing financial, treasury, regulatory, information services, underwriting and actuarial functions. Evans brings a broad knowledge of financial planning and budget management to his role. Previously, he served as Controller of The ODS Companies for nearly a decade, during which time he was responsible for day-to-day accounting and finance activities. Prior to joining ODS, Evans was an audit manager at PricewaterhouseCoopers, where he focused on financial services, including insurance and real estate.

Evans earned his bachelor's degree at Oregon State University. An active certified public accountant, he participates in the Oregon Society of Certified Public Accountants' mentoring program and is involved with the American Institute of CPAs. He is also active in the community, serving on the board of the Assistance League and Metro's bond oversight committee for Natural Areas.



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### **Greg Gahan**

Greg Gahan, owner of Northwest Construction Management, is a nearly lifelong resident of the Portland metro area. He has engineering and business degrees from Oregon State University and Portland State University in addition to 25 years of commercial construction experience in the region.

### **Anne English Gravatt**

Ann Gravatt is the Oregon Director at Climate Solutions, an organization working to accelerate practical and profitable solutions to global warming through leadership, investment and bridging divides. Gravatt has more than a decade of energy experience, working as a consultant, policy advocate and attorney. From 2002-2010, Gravatt was the Policy Director for the Renewable Northwest Project, where she was involved with key victories throughout the Northwest, including passage of renewable energy standards in Montana, Washington and Oregon. Gravatt also directed RNP's state regulatory work, regularly appearing before the region's utility commissions to advance strong clean energy policy. She practiced natural resources and energy law for several years in Portland and Washington, D.C., and also has a background in candidate and ballot initiative campaigns and public affairs. Gravatt has a law degree from the George Washington University Law School and a bachelor's from the University of Richmond.

### **Sharon Harmon**

Sharon Harmon is the executive director of the Oregon Humane Society and has been a professional in the field of animal care and welfare for almost 30 years. She has helped lead the Oregon Humane Society, the state's largest and oldest animal protection organization, for 22 years and has served as its Executive Director since 1998. She holds a Bachelor of Science, Zoology (Pre-Vet Med), from Oregon State University and a Certificate in Nonprofit Business Administration and Leadership from Johns Hopkins University, and is a Certified Animal Welfare Administrator. She has served on the Banfield Shelter Advisory Committee, and chaired the American Humane Association Shelter Advisory Committee. Recipient of the American Veterinary Medical Association's Humane Award for 2008, she is currently the president of the National Federation of Humane Societies.

### **Jim Irvine**

Jim Irvine is chairman and CEO of The Conifer Group, a 65-year-old family-owned firm specializing in home building, land development and property management. The company is also a licensed real estate brokerage in Oregon and Washington, with practice in design development and construction. The Conifer Group has received national recognition for innovation and sustainable design and is a founding member of the U.S. Green Building Council.

### **Benjamin Jackson**

Benjamin Jackson, a senior at Jefferson High School, has been active on many committees during his school years. He has served as a student leader for REAP Inc., Metropolitan Family Services' children and family enrichment program (CAFÉ), and the Wattles Boys & Girls Club. At Rowe Middle School he serves as a peer mediator. He has been a member of the Clackamas High School Diversity and Key clubs and the Clackamas Orchestra Solo and Ensemble Festival. He is also a children's education instructor at





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Cathedral of Praise Ministries and has been a crew leader for Senator Margaret Carter's Annual Block Party.

### **Tony Jones**

Tony Jones is the executive director of Metropolitan Contractor Improvement Partnership, a nonprofit that provides business training and capacity building for minority contractors, and is responsible for overall operation of the organization. He has 21 years experience in economic development, construction and affordable housing. In his roles, Jones has worked with many of the public agencies, nonprofits and prime contractors in the region and has garnered an excellent reputation by being accountable and providing quality and reliable services.

### **Bill Kabeiseman**

Bill Kabeiseman is an attorney at Garvey Schubert Barer specializing in land use and municipal law. He graduated from the University of Oregon School of Law and later served as an adjunct professor teaching land use law at the school. Bill chaired the Oregon State Bar Task Force on Sustainability and is on the Multnomah County Planning Commission.

### **Carter MacNichol**

Carter MacNichol is a managing partner for local urban developer Shiels Obletz Johnsen, Inc. and a managing member for Sockeye Development LLC. He has experience in real estate management and development for the Port of Portland, has worked as a project manager for the Portland Development Commission, and taught for the Oregon City School District. MacNichol is active on several local boards, including The Oregon Zoo Foundation, The Nature Conservancy of Oregon, and the Oregon "I Have a Dream" Foundation. His past board experience includes Portland Children's Museum and Portland Community Land Trust.

### **Sheryl Manning**

Sheryl Manning has a history of active leadership roles on corporate, nonprofit and community boards. She is a member of the board of directors of Legacy Health, has served on a variety of other corporate and nonprofit boards, and is a former commissioner, chair and interim general manager of MERC. She previously worked as a certified public accountant for PricewaterhouseCoopers and Arthur Andersen.

### **Ray Phelps**

Ray Phelps is manager of Regulatory Affairs for Allied Waste Services, Inc. He has served as assistant to the secretary of state, where he was responsible for Oregon elections, administrative rules, uniform commercial code, and budgeting for the secretary of state's office. He has also served as Metro's Chief Financial Officer and director of administration.

### **Penny Serrurier**

Pendleton ("Penny") Serrurier is a member of Stoel Rives LLP, practicing in the areas of tax-exempt organizations, charitable giving, estate planning and administration, business succession planning, and



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personal tax planning. Serrurier represents tax-exempt organizations and advises them on all aspects of governance, compliance, and tax-related matters. She has served on several local boards and is a past chair for The Oregon Zoo Foundation board of trustees.

### **Michael Sestric**

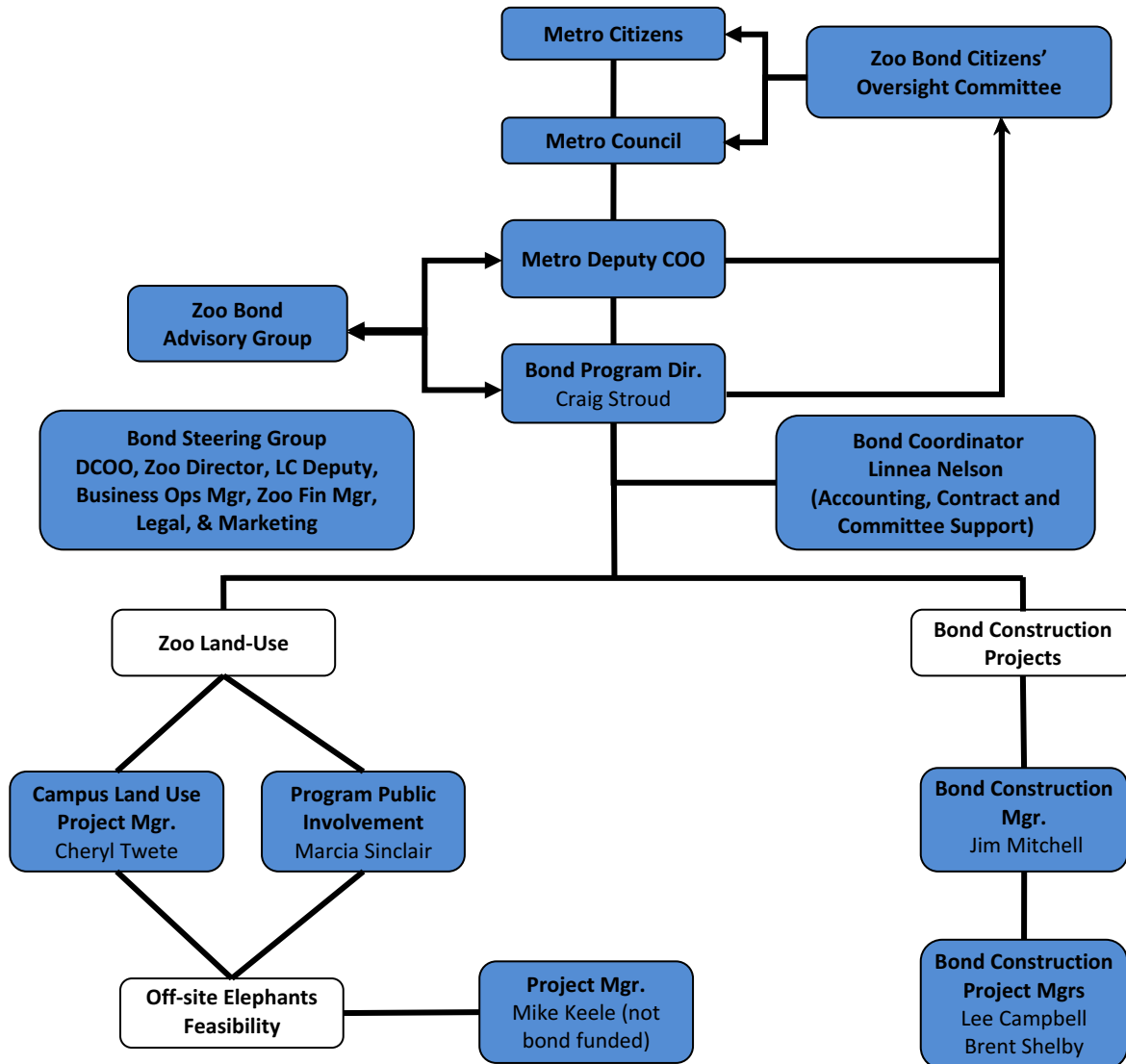
Michael Sestric is a self-employed architect, providing independent space programming, budgeting and project management services for educational, health care and nonprofit organizations.

### **Bob Tackett**

Bob Tackett serves as Executive Secretary Treasurer for the Northwest Oregon Labor Council, AFL-CIO. He has been active in the labor movement for more than 36 years, 26 of those working at Reynolds Metals Company in Troutdale until the plant closed. Tackett worked for the Oregon AFL-CIO as the Labor Liaison, helping workers displaced from their jobs, until elected as the Executive Secretary Treasurer for the Labor Council in 2009.



## Appendix B A Better Zoo Program Organization Structure



**External Consultant Contributions**

Zoo Land-Use: Multi-disciplinary consulting team primarily supporting effort that is led by Cheryl Twete.  
 Bond Construction Projects: Design consultants and construction contractors managed by bond project managers. Jim Mitchell, Group Manager: Lee Campbell and Brent Shelby, project managers.

**Zoo Staff Contributions**

Animal Welfare, Guest Experience, Conservation Education, Public Relations

**Metro Contributions**

Public Involvement: Led by Marcia Sinclair, support from Zoo Marketing and Metro Communications staff.  
 Governance, Civil Engineering, Planning/Permitting, Historical Investigations, Legal, Finance, Human Relations

