

FEBRUARY 2014

# Oregon Zoo Bond Citizens' Oversight Committee Report

A report to the Metro Council and community regarding progress on the zoo bond program

In 2008, Portland area voters expressed the value they place on animal welfare and water and energy conservation when they passed the \$125 million bond measure that funds habitat and infrastructure upgrades at the Oregon Zoo. As mandated by the bond measure, the Oregon Zoo Bond Citizens' Oversight Committee ("the committee") provides independent citizen review to help ensure this money is well spent. Our charge is to determine if the zoo improvement program is on the right path in terms of structure, expenditures and achievement of defined goals. This is our fourth annual report to the Metro Council and the community, presenting our findings on how the program has progressed during the period from January through December 2013.

## **Bonds to Protect Animal Health and Safety; Conserve, Recycle Water**

The zoo bond measure calls for updating and replacing old exhibits and facilities, increasing access to conservation education, and replacing utility systems to reduce water and energy use and lower operating costs.

- Provide more humane care for animals; update four outdated and undersized enclosures with larger, more natural and safer spaces.
- Protect animal health and safety; modernize zoo's substandard 45-year-old animal clinic determined deficient by the Association of Zoos and Aquariums.
- Increase access to conservation education; provide more space for summer camps, classes and hands-on learning for kids, adults and families.
- Improve water quality; replace the zoo's 1950s sewer system, reducing pollution by separating sewage from stormwater, harvesting runoff for reuse.
- Conserve, reuse water; install water recycling filtration systems; replace leaking, worn-out plumbing, irrigation systems, saving 11,000,000 gallons of water annually.

## **Who we are**

The Metro Council first appointed the committee in January 2010. We met three times in 2013: February, September and November. We currently have 14 committee members. Members bring to the committee skill sets from a diverse set of backgrounds (see Appendix A). The committee experienced membership changes in 2013, as the terms of 50 percent expired at the end of the year.



The Metro Council appointed eight new members with the diverse skill sets with which we were looking to round out the committee. The current committee members thank those past members who have dedicated countless hours to the committee.

The committee operates under a charter that incorporates the governance and reporting requirements of Metro Council Ordinance 10-1232. The Metro Council president appoints the chair of the committee, a position currently held by Deidra Krys-Rusoff. The chair selects a vice chair, currently filled by William Kabeiseman.

The committee meetings typically involve interactive presentations by the zoo bond staff team and other Oregon Zoo staff. There is considerable discussion and question/answer time at each meeting.

The committee operates at a high oversight level. The committee reviews the zoo improvement program to ensure that structure, expenditures and defined goals are on track. In most cases, 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. The attached organizational chart of the zoo bond program (Appendix B), illustrates the 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 promise 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 measure improvements, spending trends and cost projections, and project modifications. 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.**

## ONGOING AND NEW BOND PROJECTS

Accomplishments and Considerations	Recommendations
<p><b>Elephant Lands:</b> In recognition that elephants are the Oregon Zoo's signature species, Metro prioritized the Onsite Elephant Habitat (known as "Elephant Lands") 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 in support of the zoo's vision for elephants to live in family herds. The project will provide the elephants a new barn, indoor habitat and outdoor habitat.</p> <p>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 Leadership in Energy and Environmental Design (LEED) Silver Certification for the elephant buildings and site, and a new campus geothermal loop to reduce the use of fossil fuels for heating and cooling. Metro has contracts in place for design and Construction Management/General Contractor for this project.</p> <p>Demolition of the Elephant Museum is complete. The first phase of the Encounter Habitat was completed in February 2014. The completed construction schedule date has been revised from April 2015 to October 2015, primarily due to value engineering and design modifications to meet budget requirements and permitting delays. The uncertainty in timing with the building permitting process continues to be a risk to bond-funded construction projects.</p>	<p><b>The committee recommends that bond staff continue to monitor and report on any significant land use and permitting issues.</b></p>
<p><b>Service Road:</b> The service road is 70 percent complete. The service road provides essential access to various bond construction projects, will provide staff necessary access to various parts of the zoo, keeps service vehicles away from the visitor experience, and provides desperately needed access for emergency vehicles. The service road design proved to be challenging due to soil conditions and seismic concerns. The original design was modified, and costs in excess of the originally anticipated budget will be paid with funds from the bond premium funds. The Metro Council approved the allocation of bond premium funds to support the entirety of the work program.</p>	
<p><b>Train Loop:</b> The zoo train loop is being rerouted to accommodate the new elephant habitat. The new zoo train loop will provide visitors an opportunity to see the elephants in their habitat, as well as offer a new ZooLights experience. Soils testing and analysis at the site revealed that an elevated train trestle is not a viable option for the relocated train loop due to the unanticipated costs associated with the geological findings. The train loop construction is progressing on-ground through the majority of the loop, which will require enhanced crossing features for pedestrian safety.</p>	

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**Wild Life Live! Program:** The Wild Life Live! facility was being displaced due to the construction of Elephant Lands. The bond program renovated an underutilized animal holding facility at the zoo and successfully relocated the Wild Life Live! program. The relocation resulted in improved living quarters for the birds and program animals. Wild Life Live! staff are pleased with the new headquarters.

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**Condors of the Columbia:** Condors of the Columbia highlights the Oregon Zoo's successful condor breeding program and aims to inspire visitors to learn more about the conservation of these iconic birds. It is in the final stages of completion, and condors are expected to move to the exhibit in the near future. The exhibit is expected to open to the public this spring, after the condors have become acclimated to their new surroundings. The condor exhibit completion date is March 2014, which is on schedule per contract, but opening a little later than the anticipated schedule in the Comprehensive Capital Master Plan. The project is meeting scope, within budget and only slightly late due to an approved slippage in schedule to accommodate site challenges.

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**Education Center:** The Education Center will provide education program activity spaces for camps, classes, and zoo visitor and partner use. This project includes the completed demolition of the Tiger Plaza structures, a portion of infrastructure work identified in the Master Plan to address stormwater and site utilities, and comfort amenities for the West Hub. The Education Center design schedule is on track to begin this spring, and the construction phase is scheduled to begin in the spring of 2015.

**The committee recommends that close attention be paid to impacts on visitor experience and zoo operations during construction of the education center.**

The construction will have a significant impact upon the visitor experience and zoo operations. Access in and out of the project site onto busy Washington Park roadways will be a safety challenge/concern. Close coordination between construction and facility operations will be required. Approval by the Metro Council to pursue construction management by a general contractor will help address these risks, as well as encourage more minority, women and emerging small business contractor participation.

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**Remote Elephant Center:** Metro Council Resolution No. 11-4230 authorized Metro to enter into options to potentially purchase property for the purpose of providing a remote elephant center. Metro decided to utilize non-bond funds from the Oregon Zoo Foundation (as part of OZF's bond program commitment of \$5.33 million) for the potential property purchase. Work continues on planning for the offsite facility; development of funding strategies to meet additional capital and operating needs; clarification of the process to secure land use approvals; and needed communications to many stakeholders. The committee recognizes that the scope of research, planning, and discovery regarding the feasibility of the Roslyn Lake site is a time-consuming responsibility that directly competes for staff resources with the ongoing zoo construction site projects. This presents a risk.

**The committee reiterates its desire to ensure that bond funds are not expended on infrastructure and habitat for an offsite facility without an adequate assessment of the ongoing costs of operating the offsite facility and identification of revenue sources.**

**The committee recommends adding the planning phase of the potential remote elephant center to the overall bond project schedule to assess resource capacity and timelines. We will continue to monitor the schedule, resources and use of bond funds on the project.**

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**MWESB efforts:** The zoo has demonstrated its commitment to provide maximum opportunity to conduct business with minority-owned enterprises, women-owned enterprises and emerging small businesses). The aspirational contracting goal for the zoo bond-funded construction projects is 15 percent participation from minority, women, and emerging small business (MWESB) firms. Efforts include evaluation during the procurement of goods and services, outreach to MWESB firms to encourage participation, mentoring of MWESB firms, and breaking projects down to increase accessibility to bid.

**The committee recommends continued use of alternative procurement options that allow for more MWESB participation, ongoing communication to share best practices and reach out to the MWESB community, and engaging with local resources to increase participation from MWESB firms.**

## COMPLETED BOND PROJECTS

### Accomplishments

**The Comprehensive Capital Master Plan (CCMP)** was completed and approved by the Metro Council in September 2011. The CCMP addresses project sequencing, scope, programming and budgeting for bond projects.

**The grand opening of the Veterinary Medical Center** was celebrated in January 2012. The Veterinary Medical Center replaced the substandard veterinary and quarantine buildings with a new facility that meets standards set by the Association of Zoos and Aquariums.

**The Penguin Life Support System Upgrade** was completed in 2012. The goal of the upgrade was to conserve water and improve water quality. Zoo staff estimates that water use has decreased by more than 90 percent as the pool water is filtered versus frequently dumped.

**The Water Main Building** was completed in 2011 and prevents non-potable water from entering the water system. It was a crucial upgrade to save water at the zoo, including the capture and reuse of rainwater at the Veterinary Medical Center.

**Land Use:** Metro completed and received approval for three land use applications with the City of Portland: (1) an amendment to the existing Conditional Use Master Plan to allow work to proceed on the Elephant Lands project and the Condors of the Columbia project; (2) West Lot land use application; and (3) an application for a new Conditional Use Master Plan for the next 10 years for the remainder of the specific bond projects and some of the overall master plan improvements.

Parking management responsibilities have been turned over to Portland Parks and Recreation as part of the land use process. Impacted parties agreed to form the Washington Park Transportation Management Association.

### Recommendations

**Although Metro is no longer responsible for parking management, we recommend that Metro ensure the transportation planning process receives adequate oversight and appropriate resources to ensure community access to the zoo and the new bond-funded exhibits and facilities.**

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Other projects include the demolition of existing structures to make way for the new education facility, interpretive design projects, and meeting the one percent-for-art requirement (being incorporated in a variety of projects).

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## **REQUIRED REPORTING ITEM 2**

### **Report on spending trends, current cost projections and independent auditors' report**

- The zoo bond program is divided into four main areas: construction projects, planning projects, land use processes and program administration. As of December 31, 2013, the total amount budgeted for all program activities is \$138.1 million. Funding sources total approximately \$143 million and include \$125 million from general obligation bond measure proceeds, \$5.3 million from the Oregon Zoo Foundation, approximately \$2 million in anticipated investment earnings and \$10.7 million from unanticipated bond sale premium proceeds of which \$4.9 million has been allocated to the program. The remaining \$5.8 million that is not budgeted to a specific project as of the end of the year is considered additional program contingency.
- The Comprehensive Capital Master Plan (CCMP) process is complete as well as the construction of the Veterinary Medical Center, the Penguin Life Support System Upgrade project, the Water Main Building, and the major land use approval processes. These projects represent \$14.1 million (10 percent) of the \$138.1 million total budget, and were completed on time and within budget.
- The planned construction projects for 2014-2016 include the Elephant Lands project, completion of Condors of the Columbia, and demolition of existing campus structures and construction of the Education Center. In addition, the program is planning campus and program-level interpretive design and projects to meet the one-percent-for-art requirement. These projects represent \$76.6 million (56 percent) of the total forecast program expenditures. As of December 31, 2013, \$16.4 million has been spent on these projects, including planning, design and construction on Elephant Lands (24 percent complete) and the Condors of the Columbia (85 percent complete).
- The Oregon Zoo Foundation has pledged their existing reserves to donate \$5.33 million to support the remaining bond projects. The foundation has provided \$3,365,000 of their total commitment to the zoo to date; the remaining funds committed will be provided no later than the start of the last scheduled project. These funds are not restricted by project.

**Spending considerations and recommendations:**

Accomplishments and Considerations	Recommendations
<p>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 Comprehensive Capital Master Plan process has been and will continue to be a crucial element to ensure efficient and effective use of bond proceeds.</p>	<p><b>We recommend that the program continue to review and validate budgets and the inflation and cost escalation assumptions on an ongoing basis.</b></p> <p><b>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.</b></p>
<p>The program received Metro Council approval to use an alternative general contractor procurement method called the Construction Management by General Contractor approach for the Elephant Lands and Education Center projects. Given the complexity of the zoo bond-funded 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.</p>	<p><b>We support the continued consideration of alternative contracting methods.</b></p>
<p>Administration and bond issuance costs total \$2.4 million (7.3 percent) of the zoo bond program's total expenditures through December 31, 2013. As expected with the completion of the CCMP, direct program administrative costs have declined as a percentage of total bond project costs. The overhead expenses allocated by Metro for support services has increased over the program's first years given the increased level of expenditures and activities as the program shifts to a construction focus from a planning focus. The methodology used for Metro support service cost allocation to the bond program is consistent with other Metro programs.</p>	<p><b>Administration and bond issuance costs should continue to be monitored as the bond program moves forward, but do not appear unreasonable. A report to the committee on this matter in the coming year would be appropriate.</b></p>
<p>As of January 2014, interpretive budgets that had historically been included as a single budget line item have been reallocated to the remaining major projects (Education Center, Polar Bears and Primate/Rhino Exhibits).</p>	
<p>The Oregon Zoo staff anticipates that the ongoing operating costs of the zoo will be neutral upon completion of the bond-funded projects, given the enhancements and efficiencies gained through new technologies and the modernization of zoo infrastructure. (This assumption does not include the Remote Elephant Center, which represents an additional operation.) We believe it is important that staff continue to monitor this assumption as project planning matures, to allow reasonable financial planning by zoo staff.</p>	<p><b>In the coming year, a report to the committee on the impact of bond projects on ongoing operation costs would be appropriate.</b></p>

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The zoo bond program has budgeted \$7.2 million for the potential purchase of land and development of a Remote Elephant Center. This \$7.2 million budget includes \$950,000 of the Oregon Zoo Foundation funds contributed to the program to purchase property for the potential offsite elephant habitat. As of December 31, 2013, approximately \$39,700 of bond proceeds has been spent on this project. These expenditures funded a study and report for the zoo to use to assess potential properties, and related Remote Elephant Center planning expenses. Zoo staff continues to do the business planning to assess the future operating costs and funding sources. In addition, staff is working to conduct due diligence on the Roslyn Lake property. All other expenditures associated with the REC planning have been funded from the Oregon Zoo Foundation contribution to the zoo's capital fund, in support of bond projects.

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Moss Adams issued the annual audit report on November 19, 2013. 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 notice of the audit report was published on February 21, 2014, in *The Oregonian*.

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### REQUIRED REPORTING ITEM 3

#### **Consider and recommend project modifications intended to account for increases in construction costs in excess of budget estimates**

No project modifications are recommended at this time.

#### **How to learn more**

We encourage you to learn more about the Oregon Zoo's bond program by visiting [www.oregonzoo.org/newzoo](http://www.oregonzoo.org/newzoo).

We also welcome your feedback about what you would like to hear from us next year. Would you like us to focus on specific areas of concern or processes? Please contact us with any ideas, suggestions or questions.

**Email:** [zoobond@oregonzoo.org](mailto:zoobond@oregonzoo.org)

**Phone:** 503-914-6028

## 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. A native of Idaho, Deidra earned her BA in zoology from the College of Idaho. She serves on Metro's Investment Advisory Committee, is an active member of the Columbia-Willamette YMCA Childcare Volunteer Board, and serves on committees at Franklin High School and Mt. Tabor Middle School. She is a past board member of the Mt. Tabor Parent Teacher Association, Northwest Taxable Bond Club and Junior League of Portland.

### **Bill Kabeiseman – Committee Vice Chair**

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.

### **Noah Bishop**

Noah Bishop is an attorney and the proud father of two young zoo enthusiasts. A graduate of Lewis and Clark Law School, he has focused his practice on debtor-creditor law, and now runs his own law firm, Bishop Bankruptcy Law. He volunteers at The Bankruptcy Clinic, a free service provided by the lawyers of the Oregon State Bar.

### **Tony Butchart**

Tony Butchart is a project manager for Neil Kelly with experience in LEED certification and sustainable and passive house building practices. He is supervising a massive re-pipe project in a 100-year-old historic register building in northwest Portland. Prior to working for Neil Kelly, he was a solo contractor for 20 years and a comptroller for a mid-sized, personal-injury law firm in Olympia, Washington. Butchart has a bachelor's degree from The Evergreen State College.

### **Sharon Harmon**

Executive director for the Oregon Humane Society since 1998, Sharon Harmon has helped lead the organization for 24 years and been a professional in the field of animal care and welfare for more than 30 years. She holds a BS in zoology (pre-veterinarian medicine) 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 serves on advisory boards for Banfield Pet Hospital and Merck Pharmaceuticals. Recipient of the American Veterinary Medical Association's Humane Award for 2008, she currently serves on the board and is past chairman of the National Federation of Humane Societies.

## Appendix A – continued

### **Deborah Herron**

Deborah Herron is the Director of Public Affairs and Government Relations for Walmart in Oregon and several other Western states. Walmart has been a strong supporter of the Oregon Zoo, and Herron has been instrumental in ensuring this connection, including serving on the Oregon Zoo Foundation's Board of Trustees. Previous to her work at Walmart, she was a principal at Vox Public Relations in Portland. She is well known and connected in the public affairs community, bringing collaboration, curiosity, careful thinking, passion, enthusiasm and a solution-oriented approach to engage audiences.

### **Mickey Lee**

Mickey Lee is a project manager with MPower Oregon, which offers a simple, integrated solution for lowering energy and water expenses at existing, affordable, multifamily properties. She has a background in project development and management, with an emphasis on environmental and social equity. She previously worked in health care, digital technologies, solar installations and overall carbon emission reductions, including six years with Carbon Concierge. She has been recognized nationally for helping to bridge the gap between private and public entities. She holds an MBA in sustainable development from Bainbridge Graduate Institute and is accredited through the national Building Performance Institute.

### **Carter MacNichol**

Carter MacNichol is a managing partner for local urban development and project management company, Shiels Oblatz Johnsen, and a managing member for Sockeye Development. He has 31 years of experience in complex project management, and real estate management and development. MacNichol has worked as real estate director for the Port of Portland, project manager for the Portland Development Commission, and taught for the Oregon City School District. He has been active on several local boards, including the Oregon Zoo Foundation, The Nature Conservancy of Oregon, "I Have a Dream" Foundation, Portland Children's Museum and Portland Community Land Trust.

### **Daniel Morris**

Dr. Daniel Morris is Research Director for Our Oregon, studying government finances and budget priorities. Educated in Portland Public Schools, he went on to earn a master's degree in physics from the University of Michigan and a doctorate in public health from Saint Louis University. As an epidemiologist, Daniel led studies on topics ranging from tobacco tax evasion to tracking obesity with driver licenses.

### **Mike Schofield**

Mike Schofield is the business manager for the Forest Grove School District, managing the school district's finances and \$65.3 million worth of construction and school improvements included in a successful bond measure. Mike previously served as the chief financial officer of the Northwest Regional Education Service District. He has more than 25 years of managing finances for various public education entities. He is a graduate of Portland State University and holds a Certified Management Accountant.

## Appendix A – continued

### **Penny Serrurier**

An attorney with Stoel Rives, Penny Serrurier practices law in the areas of tax-exempt organizations, charitable giving, estate planning and administration, business succession planning, and personal tax planning. She represents tax-exempt organizations and advises them on aspects of governance, compliance and tax-related matters. Serrurier has served on several local boards and is a past chair for the Oregon Zoo Foundation board of trustees.

### **Ruth Shelly**

Ruth Shelly is the Executive Director of the Portland Children's Museum, and a lifelong museum professional who has worked as an exhibit director and administrator in museums across the country. She previously served as executive director for Madison Children's Museum, leading the museum's move to a much larger facility. Shelly and her staff exceeded the \$10 million capital campaign goal. Since opening in 2010, that museum has more than doubled its annual attendance, and nearly quadrupled its membership. It is anticipated to be the first LEED-certified Wisconsin museum, and in 2011 it won the National Medal for Museum and Library Service for its exemplary contributions to the community.

### **Bob Tackett**

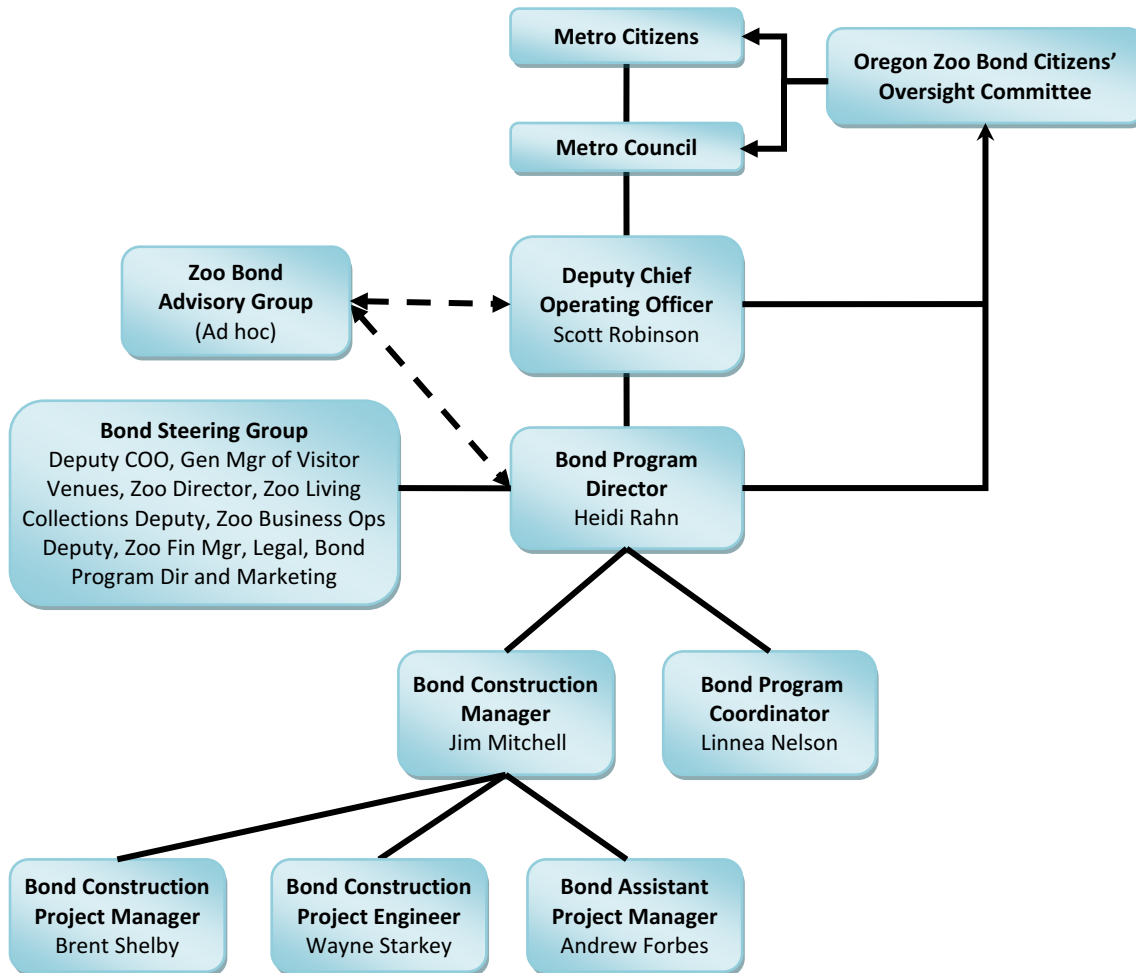
Bob Tackett serves as executive secretary-treasurer for the Northwest Oregon Labor Council, AFL-CIO. He has been active in the labor movement for more than 39 years. His duties include proposing, supporting and promoting legislation favorable to the interest of workers and organized labor. Tackett serves on several boards, including Worksystems, a nonprofit agency that accelerates economic growth in the City of Portland and Multnomah and Washington counties by pursuing and investing resources to improve the quality of the workforce, particularly unemployed and underemployed people. Tackett also serves on the board of United Way of the Columbia-Willamette.

### **Tom Turnbull**

Tom Turnbull specializes in providing business and legal advice to high-growth companies and entrepreneurs. He is a co-founder and vice president of business development with OpenSesame, the largest source for elearning content in the world with more than 20,000 online courses. Turnbull previously served on the Oregon Museum of Science and Industry board of trustees for five years. He has an MBA in finance and entrepreneurial studies from New York University, a JD from the University of Washington School of Law, and a BA in philosophy from the University of Puget Sound.

## Appendix B

## Zoo Bond Program Organization Structure

**External Consultant Contributions**

Bond Construction Projects: Design consultants and construction contractors managed by bond project managers. Jim Mitchell, Group Manager: Brent Shelby, project manager; Wayne Starkey, project engineer; and Andrew Forbes, assistant project manager.

**Zoo Staff Contributions**

Animal Welfare, Guest Experience, Facilities Impacts, Conservation Education, Grant Administration, Finance, Procurement, Marketing, and Public Relations and Involvement.

**Oregon Zoo Foundation Contributions**

Financial, Grant Administration, Donor Management

**Metro Contributions**

Governance, Civil Engineering, Real Estate, Planning/Permitting, Historical Investigations, Legal, Finance, Procurement, Human Resources

Solid Lines = Primary responsibility for or relationship to

Dashed Lines = Secondary/support for or relationship to