



METRO

April 14, 2008

Ms. Sandra McDonough
President and CEO
Portland Business Alliance
200 SW Market Street, Suite 1770
Portland, OR 97201

Dear Ms. McDonough:

In order to explain Metro's position and present decision making timeline regarding the headquarters hotel project, we wanted to provide some background for the Portland Business Alliance's HQH committee members as they continue their analysis of the project's finances.

When the headquarters hotel project was under the leadership of the Portland Development Commission (PDC) from 1989 to 2007, many key decisions were made. A crucial decision during that time was the selection of a particular model for the headquarters hotel. After reviewing proposals from RFP respondents, analysis of outside consultants, and testimony from national meeting planners and Portland residents, PDC eventually determined that a publicly owned 600-800 room convention center hotel adjacent to the convention center containing significant public function and ballroom spaces and the ability to offer a 500-room-block for conventions is *the model* that will meet the goals of the region. Part of this conclusion stemmed from analysis determining a privately owned hotel meeting these requirements would still require a public subsidy between \$63 and \$79 million dollars. As the PDC does not construct public projects themselves, the agency turned to Metro, due to its existing ownership the Oregon Convention Center, and asked that Metro adopt the headquarters hotel project.

When Metro accepted the project from PDC in February of 2007, the Council decided the most efficient path in terms of time, construction costs, and public investment, was for Metro to accept the results of the PDC's research, analysis, and competitive bidding process rather than re-start the process with Metro in the lead rather than the PDC.

At this point Metro is engaged in a feasibility phase of the project. We have asked our staff to work with the project development team, in order to better define the project's design, costs, and construction timelines to allow our Council, financial consultants, and regional governmental partners to assess the prudence of continuing into additional phases of the headquarters hotel project. While the regional economic benefits and jobs created through the project are an attractive result fitting within Metro's mission through the OCC to "maximize economic benefits for the Portland metropolitan region," Metro should not be considered a proponent of the project at this time. We are undertaking this phase with regional governmental partners to cautiously determine if we can safely invest in the project.

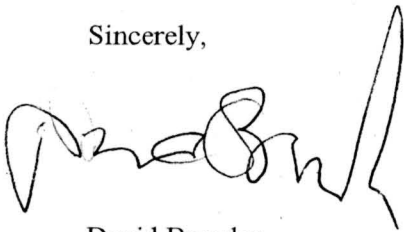
While we respect and encourage PBA's independent analysis of the project, the Metro Council would value your collective expertise and guidance in several key areas. For instance, when the

underwriter's pro-forma and Metro's financing plan become available in late June, your perspective on the following questions would be helpful:

- 1) Is the proposed financing model the ideal configuration to protect Metro, Multnomah County, and the City of Portland from negative impacts in the case of poor hotel performance?
 - a. Are other Metro enterprise activities or venues put at undue risk from the financing configuration?
- 2) Are the identified revenue streams sufficient to cover bond debt and operating costs?
- 3) Are there stress tests that should be run that have not been?
- 4) Are the underwriter's assumptions about the cost of bonding consistent with your experience of present industry standards?
- 5) How confident can Metro be about the participants and consultants involved in assessing the bond financing puzzle?
- 6) Are there other considerations Council should be weighing when assessing the operational costs of the headquarters hotel project?

If we can help in your investigation in any way, please do not hesitate to contact us. Thank you for your help and support as we continue to assess the feasibility of the project and identify avenues to maximize the benefits for the region's citizens.

Sincerely,



David Bragdon
Council President



Rex Burkholder
Councilor



Rod Park
Councilor

CC: Steve Holwerda
Jan Robertson
Merritt Paulson
David Anderson
Eric Hoffman

RE: Resolution No. 08-3945, For the Purpose of Submitting to the Metro Liberty Area Voters a General Obligation Bond indebtedness in the Amount of \$125 million to Fund Oregon Zoo Capital Projects to Protect Animal Health and Safety, Conserve and Recycle Water, and Improve Access to Conservation Education; and Setting Forth The Official Intent of the Metro Council to Reimburse Certain Expenditures out of the Proceeds of Said Bonds Upon Issuance.

For the record, my name is Ariel Zimmerman,
my permanent address is 3936 N Colonial Ave, Portland, OR 97227

Council President and members of council.

I write to you today in hopes of convincing you of the spectacular potential the proposed bond has for furthering conservation education, a potential that a single investment could increase ten-fold. No doubt, the larger projects assured funding by this bond measure are critical to the practical success of conservation on grounds and shouldn't be overlooked. That said, the accessibility to conservation education, I believe, would be most efficiently improved with the refurbishment of the Oregon Zoo Insect Zoo, the positive effects lasting indefinitely.

For those less familiar, the Insect Zoo provides a direct-contact outreach area, where volunteers and zoo visitors can muse over the most fascinating, diverse, and underappreciated specimens on the planet. This is an exceptional scenario for two reasons: First, it is a rare opportunity that invertebrates are presented in a non-threatening ("non-pest") context and may, surprisingly enough, be a once in a lifetime opportunity to learn something positive about them. Second, the challenge of presenting a creature that is at once common and foreign, repulsive and intriguing, establishes in the teacher lifelong proficiency in conservation education.

I experienced this firsthand in highschool, presenting swaying leaf insects and ravenous roaches. Like many of my peers working in the insect zoo, I interacted with literally thousands of visitors my first summer, and quickly developed a passion for invertebrates and a penchant for conservation education. In our wake, we left both children and adults aware of the scale on which diversity must be conserved, a huge feat! I've now received a B.S. in Entomology from an Ivy League institution, conducted independent research on snails, spiders, and mosquitoes (carefully chosen in order of "typical" repulsiveness), lead an award-winning entomology outreach event, and was awarded a prestigious NSF graduate fellowship both for my research and conservation outreach.

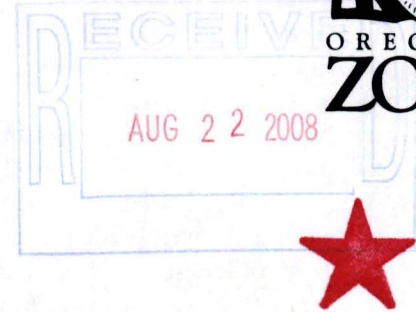
It is without question that my passion for invertebrates was sparked and fueled by my volunteer experience at the Oregon Zoo Insect Zoo. With a small monetary investment, the Insect Zoo can be made even more effective, by providing a safe, approachable space to mediate the increasingly important relationship between man and bug.

Sincerely,

Ariel Zimmerman
Cornell University Entomology
University of Florida Zoology

THE OREGON ZOO FOUNDATION

4001 SW CANYON ROAD | PORTLAND, OREGON 97221 | TEL 503 220 2493 | FAX 503 223 9323



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August 18, 2008

Metro Council President David Bragdon
Metro Councilors
Chief Operating Officer Michael Jordan
600 NE Grand Avenue
Portland OR 97232

Dear President Bragdon, Metro Councilors and Mr. Jordan:

We are writing in response to the proposed Sustainable Metro Initiative organizational changes as presented by Chief Operating Officer Michael Jordan to our Board of Trustees on August 7, 2008.

We'd like to thank COO Jordan for providing an overview of his proposed organizational changes as well as his willingness to receive feedback. We believe that several of the proposed organizational changes have a strong business case, and if executed well, could yield significant benefit to the agency, as well to the zoo as an organizational entity. For example, facilities management, construction, contract management and fleet management are clear and obvious areas for strong collaboration and integration and should be supported. Changes in these areas could potentially provide the requisite expertise and oversight for successful implementation of projects that could materialize if the \$125M Bond (Measure 26-96) passes in November. We are also supportive of many of the proposed matrix or dotted line relationships as proposed in phase I – any opportunity to encourage collaboration which results in more synergy and efficiency is welcome.

However, the OZF Board has significant concerns with regard to potential changes to Conservation Education and Volunteer programs and personnel. We see potential negative impacts to:

- ❖ Zoo staff morale – the proposed changes could have a detrimental effect on staff morale and the ability to retain and hire qualified personnel in the future given the conservation education related mission of the zoo
- ❖ OZF fundraising capability in support of the zoo – concerns that members and donors will take issue with conservation education programs not directly controlled by the zoo
- ❖ Bond measure 26-96 – perceived changes might draw negative attention and voter sentiment to our \$125M ballot measure

The following outlines in greater detail our concerns in these three key areas.

Attracting and keeping zoo leadership

Running successful zoos is a niche business requiring very specific expertise – especially in the area of “conservation and education.” Perhaps only a handful of zoo professionals in the country do it well. Conservation Education (CE) has become the leading mission of zoos worldwide and is a reason many successful zoo leaders are in the business. The Oregon Zoo will likely not be able to attract or retain talented leaders if the Director and senior staff don't have control or management over CE programs.

Metro will be competitively disadvantaged if zoo management is only responsible for “guest services and animal care.” We are supportive of a matrix or dotted line approach to encourage collaboration, but strongly urge that the ultimate control over the zoo's CE programs and resources remain with zoo management.

Future role for OZF

The mission and role of OZF will undoubtedly continue to evolve over the course of time. As it stands today, CE is a major tenant of OZF's current mission, and as discussed extensively by the Future Vision Committee, will most likely continue to grow in importance. One important question is what OZF fundraising efforts will focus on in the future. Should the voters pass the bond measure, the Oregon Zoo will have \$125 million for new and improved facilities, including a CE campus. One idea that has surfaced in discussions regarding OZF fundraising is how OZF could enhance/augment CE programs and staff. OZF volunteer leaders may be less inclined to engage in these efforts if CE is taken away from the zoo and becomes a Metro-wide endeavor. As noted above, we are very supportive of a matrix or dotted line approach to encourage collaboration and the most efficient utilization of resources, but would ask that the ultimate control over the zoo's CE programs and resources remain directly reporting to zoo management.

Recognize the importance of volunteers

In 2007, Oregon Zoo volunteers contributed 168,795 hours, or the equivalent of ~82 FTE. This is the highest contribution level of any zoo volunteer program in the country. Our volunteers are very proud of their work at the zoo, and quite frankly in many cases, do not know of or understand the relationship with Metro. We are concerned that, as we believe most volunteers see themselves as zoo volunteers and not Metro volunteers, there would be a significant fall off in volunteer numbers and hours. The unique culture of the zoo and its volunteers must be considered if any Metro effort is made to consolidate, coordinate or replicate volunteer activities, even if the intentions are admirable. We are very supportive of a matrix or dotted line approach to encourage collaboration and the most efficient utilization of resources, but would ask that the ultimate control over the zoo's volunteers programs and resources remain directly reporting to zoo management.

Conclusion

In summary, we recognize there is a need for change at Metro, and that many of the proposed changes may ultimately benefit the zoo over the course of time. We also concur that changes which drive collaboration and greater overall efficiencies are worthy of examination, and ultimately, where the business case makes sense, implementation. Upon our initial review, areas inclusive of facilities management, construction, contract management, and fleet management are clear candidates for further examination.

On the other hand, reorganizing and reassigning functions which are core to the heart and soul of the zoo will likely cause great and perhaps irreparable damage to the organization.

In particular, we are very concerned that moving the focus of control of the Conservation Education and Volunteer programs could cause significant and irreparable damage, perhaps sending our beloved zoo into a rapid state of decline, as well as potentially hindering our immediate task of successfully passing the bond measure.

We are thankful for the opportunity to provide feedback, and look forward to the opportunity to continue the dialogue. We would be more than willing to participate in any process COO Jordan and/or the council utilizes moving forward. Thank you for the consideration. We look forward to your response to this letter.

Respectfully submitted,



The Oregon Zoo Foundation Board

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