

OREGON ZOO & OREGON ZOO FOUNDATION FINANCIAL UPDATE

Date: July 8, 2019
Department: Oregon Zoo - Finance
Meeting Date: July 23, 2019

Prepared by: Sarah Keane x5705
sarah.keane@oregonzoo.org

Presenter(s) (if applicable):
Sharla Settlemier, Vice Chair of Oregon
Zoo Foundation Board of Directors;
Sarah Keane, Zoo Finance &
Administrative Director; and
Ruth Walkowski, OZF Director of Finance
& Operations

Length: 30 minutes

ISSUE STATEMENT

Fiscal year 2018-2019 marks the fourth year of the Oregon Zoo being an enterprise fund. Progress continues to be made towards long term financial sustainability. However, the current fund balance is \$4 million representing 9% or 5 weeks of operating reserves. The Government Finance Officers Association recommends a reserve level of 16.5% of operating expenses. Additionally, the annual capital investment averages between \$1-2 million, whereas the Association of Zoos and Aquariums benchmark the average infrastructure investment to be \$3 million annually.

ACTION REQUESTED

N/A

IDENTIFIED POLICY OUTCOMES

N/A

POLICY QUESTION(S)

N/A

POLICY OPTIONS FOR COUNCIL TO CONSIDER

N/A

STAFF RECOMMENDATIONS

N/A

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

Fiscal year 2015-2016 marked the first year the Oregon Zoo operated as an enterprise fund. The beginning fund balance at that time was \$1 million. In the first year a \$100K loss was experienced decreasing the fund balance to approximately \$900K. Fiscal year 2016-2017 also experienced a loss decreasing the fund balance to \$868K. Based on the 5 year projection expenses were set to outpace revenues by as much as \$1.2 million in the fifth year. Zoo and Metro leadership have been paying close attention to the fund to ensure long term sustainability.

The general fund continues to transfer approximately \$13 million of operating support and just under \$700K annually for the renewal and replacement fund. This constitutes approximately 29% of annual support for zoo operations. Other support includes 61% from enterprise revenues, 9% from the Oregon Zoo Foundation, and 1% from federal grants. On the expenditure side just over 50% of the budget is personnel, 35% is materials and services, and 10% is transferred back to the general fund for central services support.

Fiscal year 2017-2018 was the first year to see a growth in the fund balance. Due to new revenue strategies, expense management, foundation support, and cooperative weather the zoo experienced an attendance record of 1.7 million guests and a \$3 million surplus, growing the fund to just over \$4 million.

Attendance is the largest factor of revenue generation for the zoo. For example, for every 100,000 guests approximately \$1 million of admissions revenue is generated. Fiscal year 2017-2018 was a record setting year, more frequently attendance averages 1.5 million visitors. The largest driver of attendance is weather. In order for the zoo to operate a sustainable enterprise fund it is critical there be an appropriate beginning fund balance in order to absorb any downturns.

Becoming an enterprise fund also changed the financial dynamic between the zoo and the zoo's support organization, Oregon Zoo Foundation. Historically, the Foundation evaluated if there was a surplus and then the zoo applied for specific major grants. In fiscal year 2018-2019, the Foundation launched a comprehensive campaign proactively fundraising for both capital, to enhance the bond program for Polar Passage and Primate Forest, to fully fund renovation of Rhino Habitat, and for strategic operational priorities focused on animal welfare, conservation, and education. This was the first year the zoo was able to build the planned Foundation support into the annual budget in a proactive way during the budget process. The future-looking fundraising goals have aided success in fundraising.

BACKGROUND

At the Metro Council Work Session on June 27, 2017 Dr. Don Moore and Sarah Keane presented on the Zoo's financial situation and described the process Zoo staff were planning to create a long term financial framework. One year later, at the Metro Council Work Session on August 7, 2018, Sarah Keane provided an update on progress made during the fiscal year.

There are four cornerstones to the Zoo's financial sustainability: a structurally balanced budget, spending aligned with mission priorities, investments in infrastructure, and appropriate levels of operating reserves. To this end, in the first year of the plan (fiscal year 2017-2018) Zoo staff evaluated key program areas, created new revenue strategies, set an operating reserve target, and updated a prioritized capital replacement schedule. During the second year (fiscal year 2018-2019), the zoo introduced a process improvement program and the foundation launched a comprehensive fundraising campaign.

In addition to an update on the long term financial plan, preliminary FY19 financial results should be available for review.

ATTACHMENTS

- Is legislation required for Council action? ☐ Yes ☒ No
- If yes, is draft legislation attached? ☐ Yes ☐ No

- What other materials are you presenting today? POWERPOINT