

STAFF REPORT

OREGON ZOO & OREGON ZOO FOUNDATION FINANCIAL UPDATE

Date: November 17, 2020
Department: Oregon Zoo - Finance
Meeting Date: December 1, 2020

Presenter(s) (if applicable): Sarah Keane,
Zoo Finance & Administrative Director
and Ruth Walkowski, OZF Director of
Finance & Operations

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Length: 30 minutes

ISSUE STATEMENT

Fiscal year 2019-2020 marks the fifth year of the Oregon Zoo being an enterprise fund. Prior to the COVID-19 pandemic the zoo was making significant progress towards achieving an operating reserve goal of \$7 million (*the Government Finance Officers Association recommended reserve level of 16.5% of operating expenses*). The focus on reserves and long term financial sustainability has positioned the zoo to better endure this financial crisis than it would have been able to four years ago.

In fiscal year 2018-2019, the Oregon Zoo Foundation launched an \$8.5 million comprehensive campaign proactively fundraising for both capital, to enhance the bond program, and for operations. The strong partnership with the Foundation has provided much needed support to the zoo's financial condition; deploying the \$1 million emergency reserve and fundraising an additional \$1 million for COVID relief. Per section 4.3 of the Metro – Oregon Zoo Foundation Agreement, "The OZF Board and the Metro Council shall meet annually, to share information about OZF and the Zoo, review past fiscal year accomplishments, new fiscal year plans and priorities and present and discuss the Annual Report."

Additional relief from the foundation, Metro's general fund, and the state will carry the zoo through June 2022, at which point the reserves are projected to be depleted.

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

Metro Council resolution no. 19-5056 passed in December of 2019, approved Oregon Zoo's 2020-2023 Strategic Plan and authorized the Metro Chief Operating Officer to implement the Plan.

The Strategic Plan includes 7 focus areas: 1) lead the way in animal care and welfare; 2) advance wildlife conservation; 3) deliver an inspiring guest experience (every time); 4) create diverse, equitable & inclusive environments; 5) connect with our communities; 6) provide meaningful and fulfilling staff experiences; and 7) achieve financial sustainability; strategic priorities are outlined for each focus area.

In response to the COVID-19 pandemic the zoo's focus narrowed to animal care and welfare. All other focus areas remain largely on hold pending a financial recovery. The Plan continues to guide decision making during this challenging time. Attached is the Plan with highlighted goals indicating the narrowed focus of operations during the pandemic.

Zoo leadership committed to providing Metro Council with regular progress updates of which the first will be at the December 1st work session.

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 staff were planning to create a long term financial framework to strengthen the zoo's financial position. Each year, zoo finance staff has provided an update on progress made during the fiscal year.

To summarize, a plan to achieve financial sustainability was developed with the following cornerstones: 1) a structurally balanced budget, 2) spending aligned with mission priorities, 3) investments in infrastructure, and 4) appropriate levels of operating reserves.

To this end, the zoo has prioritized financial sustainability and taken the following actions.

- 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.
- Fiscal year 2018-2019: the zoo introduced a process improvement program (adopted by all of Metro) and the foundation launched an \$8.5 million comprehensive fundraising campaign.
- Fiscal year 2019-2020: the strategic plan was completed and the reserves grew to just over \$6 million (*target = \$7 million*) in February 2020.

In April of 2020, Sarah Keane presented at a Metro Council work session on the anticipated financial impacts of COVID-19. Due to the spring closure the zoo lost \$8.5 million in revenues. With limited capacity since July, admission based revenues this fiscal year are down \$10 million (\$3.4 million YTD compared to the prior year's results of \$13.3 million).

Results and assumptions from the 5 year forecast will be available as well as financial results through October 2020.

ATTACHMENTS

- Is legislation required for Council action? ☐ Yes ☒ No
- If yes, is draft legislation attached? ☐ Yes ☐ No
- What other materials are you presenting today? Power Point