

A Study of the Potential Impact Of A Governance Change On the Minnesota Zoo

Prepared Pursuant to MN Laws 1999, Chapter 141, Sec. 4

January 20, 2000

**Minnesota Zoological Board
(612) 431-9200**

TABLE OF CONTENTS

Executive Summary	Page 1
Assessment: How is the Minnesota Zoo Performing	
• Awareness and Penetration	10
• Attendance and Memberships	10
• Earned Revenue	10
• Contributed Income	12
• Expenses	13
• Revenue from non-state Sources	14
• Profiles of Comparable Organizations	16
Findings: Trends, Analysis and Alternative Scenarios	21
• Industry Context	21
• The Governance Continuum: Pros and Cons of Alternative Governance Structures	24
• How Would a Governance Change Affect the Minnesota Zoo?	26
• Key Variables that Would Change	26
• What Would be the Impact on Private Contributions?	28
• How Would Zoo Employees be Affected?	39
• How Would State Ownership be Affected?	42
• What is the Zoo's Potential as a Local Government Entity?	43
Financial Analysis: Four Governance Scenarios	46
Recommendations	70
Attachments	
• List of Individuals Interviewed	i
• Appendices and Source Documents	iii
• Consultant Profiles	v

EXECUTIVE SUMMARY

Introduction

The 1999 Minnesota State Legislature directed the Minnesota Zoological Board to submit a report to the Governor and legislature analyzing alternative governing structures, including conversion to a private nonprofit or local government entity.

The purpose of this work was to determine whether a change in governance structure would significantly improve the Zoo's performance, management, accountability, and resource development.

Background

Both supporters and detractors of the Minnesota Zoo in the State Legislature look with dismay on what they perceive to be evidence of poor management: inaccurate attendance projections, cost overruns on exhibits and, in the case of Discovery Bay, the need for deficiency appropriations caused by increased operating costs generated by a major new exhibit.

What the State wants from the Zoo:

- Clear definition of the State's financial obligations
- Clarity about the Zoo's accountabilities
- Respect for its status as the Zoo's major funder
- Improved communication

For its part, the Zoo staff and board feel misunderstood and underappreciated. They lament the fact that no State constituency really "owns" the Zoo. They feel their attempts to be entrepreneurial and refresh their product are held against them by the State when attendance projections do not materialize. Finally, they believe that the State has not maintained its capital investment in the Zoo's facilities and infrastructure.

What the Zoo wants from the State:

- Funding stability
- Respect for its mission
- Improved communication
- Better understanding of the Zoo's uniqueness

This is not the first time the Zoo has considered a change in governance structure. On at least two other occasions, one in the mid-eighties and again in 1992, the Zoo and the legislature explored privatization, but ultimately rejected that course of action. In both cases, and in the present situation as well, the call for privatization was precipitated by financial shortfalls.

The goal of this study was to evaluate how a change in governance structure could address the issue of financial shortfalls and other contributing factors to the Zoo's performance challenges. We did not automatically assume that a change in governance would significantly improve the Zoo's performance. Instead, we evaluated the pros and cons of alternative governance models in the context of the root causes of the Zoo's performance problems.

Problem Statement

In the course of extensive interviews and quantitative and qualitative analysis of the Zoo's past and current performance, we defined three problem areas of performance that have direct bearing on the Zoo's success. They are:

- Accountability
- Leadership
- Capital

Accountability

As the Zoo's major funder, the State expects and deserves to have a certain amount of control over how its money is spent. Effective and timely communications using financial and activity reporting that provides insight into the Zoo's operations plans and their implementation have been inconsistent and non-comprehensive over the years. Further, risk management of stretch performance and financial goals has been inadequately quantified and managed over time.

In good times, these deficiencies were less of an issue. However, when there are financial shortfalls, these weaknesses become of great concern to legislators. Questions about mismanagement arise, and the issue of governance is raised anew. The Zoo has made relatively little investment in building a relationship with legislators over the years. As a result, when financial problems arise, the Zoo has no residual good will to fall back on.

In the summer of 1998 there were productive discussions about developing a stronger partnership between the Zoo and the State, but these discussions broke down once the legislative session began and the Zoo's request for additional funding took attention away from long-term relationship-building.

The question becomes, what can be done to:

- provide appropriate, better and more timely communication about performance to the legislators?
- set up an effective financial and activity reporting structure?

With these issues addressed, a sense of shared goals and mutual trust between the Legislature and the Zoo becomes possible.

Capital:

The Minnesota Zoo has been, from its founding, undercapitalized by the State. Its 21-year old capital infrastructure is in serious need of repair or replacement, and its major

exhibits are aging and of declining interest to visitors. The issue of infrastructure, while crucially important, is largely invisible to the public or the legislature, and so has received little attention. The issue of major exhibits is highly visible. Like all other zoos and family attractions, the Minnesota Zoo requires regular "refreshment" of its exhibits to maintain existing audiences and attract new visitors. Unfortunately, the drive to increase attendance at all costs caused the Zoo to invest in a capital project like Discovery Bay, and oversell its potential impact on attendance, as a way to obtain state bonding money.

When the hoped-for attendance gain did not materialize the legislature felt betrayed, and saw Discovery Bay as another example of poor management on the part of the Zoo. The Zoo, for its part, felt it had been penalized by the State for having undertaken a risky venture in order to continue to attract family visitors in a very competitive market.

The question becomes, what can be done to:

- Repair past neglect of capital infrastructure?
- Capitalize new exhibits and program facilities?

Leadership:

The problems of lack of accountability and insufficient capital funding could be addressed and solved by a seasoned Zoo president, in tandem with a focused and strong board. However, current state regulations limit the Zoo director's salary to a level considerably below what zoo directors are earning at comparably sized zoos nationwide. This fact makes it very difficult to attract a strong field of candidates.

The question becomes,

- can the Zoo hire the kind of leader with the vision and experience needed to reinvigorate the Zoo's mission, improve communication and clarify accountability with the State?

Governance Structure Study

Will a change in governance structure address these questions of accountability, capital and leadership in a meaningful and lasting way? Will the potential benefits of such a change outweigh the risks and costs involved in bringing about that change?

This study addresses these questions from both a quantitative and qualitative perspective. Study methodology included:

- Quantitative financial and attendance analysis of the Minnesota Zoo and a revenue mix analysis of three comparable institutions in the Twin Cities
- National survey of comparable institutions to identify the range of governance models and to understand the pros and cons of each model
- Analysis of governance structures and their potential impact on or contribution to significantly improving the Zoo's performance
- The question of what kind of zoo the customers and stakeholders of Minnesota Zoo want and are willing to pay for is pivotal, but was not the

domain of this study. In the absence of having an answer to that question, this study developed a model in which the zoo is placed at two levels of performance: adequate and optimum. Each performance level was then analyzed on two fronts:

1. Financial
 - cost to have a zoo operate at this level
2. Governance
 - pros and cons of staying with the current structure
 - pros and cons of a change in governance structure

The study's findings and recommendations are based on:

- interviews with donors; legislators; civic and community leaders; Zoo board and foundation members; current and past Zoo employees; and Zoo directors nationwide
- privatization studies conducted by the American Zoo and Aquarium Association (AZA)
- AZA Annual Survey of Members
- Many other resources listed in the appendix to this study.

Findings

Minnesota Zoo is one of the most well attended Zoos in the country. Its education department is the largest environmental education location for formal visits by K-6 educational institutions, and is the only zoo education department to be accredited by the North Central Accreditation Association. The Zoo is an international leader in species conservation.

By all measures typically used to assess the performance of a nonprofit, the Zoo has performed quite well over the past decade. The Zoo's earned revenue has grown from 43% of the operating budget in 1990 to 53% of the operating budget in 2000. Compared to other zoos and local nonprofits, this is a high level of earned income. The Zoo compares favorably with zoos nationwide: its revenues per visitor are relatively high, its ratio of full time employees to developed acres is very low, and its level of earned income per visitor is relatively high.

The Zoo's current financial challenges must be looked at in the light of its past performance. The Zoo's current financial challenges stem not so much from weak past performance as from excessive entrepreneurial zeal that caused it to overreach, which led to incurring debt service for Discovery Bay. The resulting pressure on the operating budget has created a financial crisis that has overshadowed the entire previous decade of solid progress in earned and contributed revenue.

Areas where improvement could be made are in cost per visitor, market penetration and contributed income. In the past decade the average annual increase in unrestricted contributed income (via the Zoo Foundation) has been a remarkable 30 percent, but the actual dollars raised are low compared to local private nonprofits, and average when

compared to comparably-sized zoos. The Zoo Society and Foundation have contributed approximately \$16 million in capital support since the Zoo opened in 1978.

Total Zoo revenue has increased steadily over the past decade, while State support has remained flat until 1998.

Zoo expenses have increased by four percent annually since 1990. Salaries and expenses account for 65 percent of total operating expenses, which is typical for nonprofits.

Governance Models

Nationally, the trend to privatize zoos has increased in the past decade and today 60 percent of zoos are privately managed. Those zoos that have privatized have done so in response to some kind of financial or management crisis, and/or because they have been encouraged to do so by a public funder in response to declining public revenues and/or perceived opportunities for cost savings or revenue enhancement believed to be possible through privatization.

Privatization usually means public ownership and private management. Virtually all zoos nationwide receive some form of public subsidy, even when they are privately managed. The only other state-run zoo is North Carolina Zoological Park, which has lower attendance, more employees, fewer members, and significantly more state support for operations and capital.

Non-State Revenue Analysis

The Minnesota Zoo has made dramatic gains in earned revenue over the past decade. It is unlikely that such growth can continue at the current pace until a major new exhibit boosts attendance levels, to which earned revenues are directly linked.

There is certainly room for improvement in the area of contributed income. It is encouraging that for the most part, corporate, foundation and individual donors do not believe State funding to be a disincentive to private contributions. However, the fact that the Zoo is very young compared both to zoos nationwide and to local nonprofit organizations is a major factor in its relatively small donor base and level of contributed income. This "deficiency" can only be overcome through time and attention to building donor relationships.

Impact of a Governance Change on State Ownership and Ongoing Costs

As zoos have privatized in other communities, the public entity typically has retained ownership of the land and all property and has continued to provide substantial annual operating support and funding for capital improvements. The Minnesota legislature could continue to support the Zoo, however, the amount is a function of how well the Zoo makes its case and the receptivity of future legislatures. It is unlikely the State would want to relinquish its ownership of a valuable State asset. Also, the Dakota County long

term deed with the State may be called into question if the facilities are transferred to a nonprofit organization.

Analysis of Local Government Entity Concept

Most public zoos (89%) are managed by a city, county or special taxing district. This localization of zoo ownership works to the advantage of most zoos, and would probably be the ideal model for anyone starting a new zoo. However, given the current political climate in Minnesota, it would be very difficult to change the public funding structure and create entirely new revenue streams. None of the local entity options examined for the Minnesota Zoo (City of Apple Valley, Dakota County and Metropolitan Council) seem advisable. On the other hand, the study provides clear evidence that the Zoo could benefit from forging a closer relationship with its neighbors.

Financial Analysis of Governance Scenarios

The Minnesota Zoo does not currently have a strategic plan that is tied to detailed financial projections. This made it very difficult to create financial scenarios. To address this challenge we imagined two generic futures for the Zoo:

- one in which modest improvements to infrastructure and exhibits would be made, thus improving the Zoo to an "adequate" level;
- and one in which more dramatic investments would be made, taking the Zoo to an "optimal" level.

We then took each of these scenarios and quantified the impact of retaining the current governance structure or converting to a private nonprofit.

The analysis suggests that in the specific case of the Minnesota Zoo, the potential benefits of converting to private management may not be worth the risks (e.g., employee dislocation; uncertain access to bonding money), or justify the costs.

This is not to say that improvements in the Zoo's financial performance could not be made. Nor do we disregard the serious level of mistrust, frustration and miscommunication between the Zoo and the State that has built up over the years. Nonetheless, these are issues that could be dealt with without undergoing the risky, lengthy, costly and disruptive process of privatization. There is no compelling evidence to suggest that a change in governance structure would contribute to the "progress towards self-sufficiency" called for in the legislative mandate.

Recommendations

1. Retain the current governance structure.

Minnesota Zoo appears to be in a much different position than other zoos that have recently privatized. The Zoo is not in imminent danger of closing due to animal deaths, employee fraud, or loss of accreditation. There do not seem to be significant opportunities for outsourcing that could reduce operating costs. There does not seem to be much room to enhance earned income, given the dramatic

increases the Zoo has achieved in this area in the past decade. The Zoo is now on the upper end of earned revenue per visitor compared to similarly-sized zoos. The Zoo is bound by relatively few state restrictions on admissions income, admissions fees and purchasing. In short, the State and the Zoo have already achieved many of the gains that other zoos seek through privatization.

Furthermore, the costs and risks of privatizing are not trivial: significant transaction costs in staff time, energy and direct costs; potential transition costs (e.g., employee pension plan turnover); ongoing costs to the Zoo such as insurance, legal and information systems costs; and the uncertainty of access to bonding money could seriously destabilize the Zoo's financial situation. Our financial analysis projects a net increase in the Zoo's annual operating budget of approximately \$250,000 if the Zoo were a nonprofit entity.

It appears that the potential benefits of privatization could be achieved without actually privatizing. Hiring a nationally renowned zoo leader at a market-rate salary could happen if the legislature allowed the Zoo board to set the salary of the Zoo president. Significantly increased contributed income could be raised if the Zoo hired a truly visionary leader on an experience and pay level with the leaders of other major zoos nationwide and major local cultural institutions.

2. Cap the State support of Zoo operations at the current level.

Most zoos that have privatized have agreed to a cap on public funding or a cap with inflationary increases. This does not seem like an unreasonable burden to place on the Zoo, given its past history of revenue development. Such a cap could potentially have the effect of accelerating progress towards increased earned and contributed income goals.

3. Forgive all debt service going forward.

Yes, the Zoo put itself in the position of incurring substantial debt. Yes, in hindsight this was a bad decision. But it's time to move on. The debt service on Discovery Bay and roof repair is a crippling burden that amounts to eight percent of the Zoo's 1999 operating budget. No other state agency is subject to debt service at this level, and no other cultural organization could function with such indebtedness. Wipe the slate clean. The financial analysis conducted for this study clearly demonstrates the profound positive impact of this change on the Zoo's financial situation.

4. Remove the cap on the salary of the Zoo President, and hire a leader with the vision and experience to take the Zoo to the next level.

By most measures the Minnesota Zoo is considered to be one of the best and most well-attended zoos in the U.S. It is not without its problems and challenges, but it is a large and complex organization that calls for an experienced leader to address

those challenges. Seasoned nonprofit leaders are in short supply and high demand. The current salary for the Zoo president is not sufficient to attract a top-tier leader. It is not even close to the salaries being paid to the leaders of other similarly-sized local private nonprofit organizations. Our financial analysis assumes a significant increase in the Zoo president's salary. This would require legislation to exempt the Zoo president from state salary restrictions, as in the case of the director of the Minnesota State Historical Society. The Zoo's previous president created a tremendous spirit of enterprise at the Minnesota Zoo, and the results in increased earned income speak to her accomplishments. That spirit needs to be revived if the Zoo is to live up to its full potential.

5. Create a compelling vision for the Zoo's future, and a plan to carry it out.

There is tremendous lack of clarity surrounding the Zoo's future. There is no facilities master plan or strategic plan supported by a long range financial plan. First, the Zoo needs to develop a process to determine what kind of zoo the customers and stakeholders of the Minnesota Zoo want and are willing and able to pay for. Then the Zoo needs to produce strategic, facilities and business plans to execute and fund that vision. The process used to develop the vision must be inclusive, with the State as a major partner.

Our financial analysis explored two capital investment scenarios ranging from "adequate" to "optimal" capitalization of exhibits and program facilities. The actual dollar amount needed to fully optimize zoo exhibits and program facilities will be determined pending the outcome of a comprehensive planning process.

6. Invest in capital infrastructure.

The Zoo's capital infrastructure is in urgent need of repair and replacement. The State should immediately invest in addressing those areas where staff and visitor safety are at risk, animal health is compromised and amenities are in decline.

7. Invest in the capacity to develop contributed income.

The Zoo's contributed income is underdeveloped. In most cases, there is a direct connection between investment in staff resources and the funds ultimately raised. The Zoo should build on the momentum of the recently-completed, successful capital campaign and create a full-service development department with sufficient staff to increase contributed income in all areas, with a special focus on individuals and project support to provide budget relief. Begin a capital and endowment campaign to fund the following:

- Infrastructure (State funding)
- Exhibits and programs (combination of State and private funding)
- Endowment (private funding)

A major capital campaign is the only way the Zoo can dramatically improve the quality of its product and level of visitation. The Zoo must invest in new exhibits, programs and amenities that will attract visitors of all ages. Over the past 20 years, the State has appropriated or bonded \$165 million in capital and operations funding of the Zoo, including its original investment to build the Zoo. This compares with \$500 million invested by the State of North Carolina in its zoo, the only other state zoo in the nation.

8. Develop clear measures of accountability.

The relationship between the Zoo, legislators and the executive branch can only be rebuilt on a platform of credibility and trust. The building blocks of this platform were laid in the "Partnership" discussions begun in the summer of 1998. All parties seem to agree that much progress was made in these discussions. It appears as though the Partnership concepts could form the basis for agreed-upon performance measures for which the Zoo and the State could hold each other mutually responsible. These measures would reflect the unique nature of this state agency, give the Zoo sufficient latitude to live up to its potential, and provide state legislators with the level of accountability the magnitude of their support deserves.

9. Significantly improve legislative relations.

The State is the Zoo's single largest donor by far. The Zoo must devote significant time and effort to educating legislators about Zoo programs. The Zoo must speak consistently, with one voice. That voice should be the personal, passionate informed voice of the Zoo president and/or a vice president for external relations and members of the Zoo board.

As the findings in this report indicate, there is much good news about the Zoo's past performance of which many legislators are unaware. Furthermore, many legislators lack an understanding of the complexity and challenges of running a major zoo. Clearly, the Zoo's image is not as positive as the Zoo board would like it to be. At the same time, many legislators feel that the Zoo does not take legislative realities into account. This gap in mutual understanding and trust must be bridged.

10. Deepen and expand the Zoo's educational mission.

The Minnesota Zoo is a living lab and environmental education is at the heart of its mission. The Zoo needs to:

- Invest in classroom facilities for children and adults.
- Aggressively pursue partners (such as the Department of Natural Resources) and funders with interests in conservation and education.
- Begin to charge a modest amount for K-6 educational programs, as do other local family attractions.

III. Assessment of the Minnesota Zoo's Performance

This study takes a comprehensive look at the Zoo's recent history and current financial performance. We profiled the Zoo against 8 comparable zoos nationwide and 3 local nonprofit organizations.

Minnesota Zoo is one of the most well attended zoos in the country. Its environmental education department is the largest environmental education location for formal visits by K-6 educational institutions, and is the only zoo education department to be accredited by the North Central Accreditation Association. The Zoo is an international leader in species conservation.

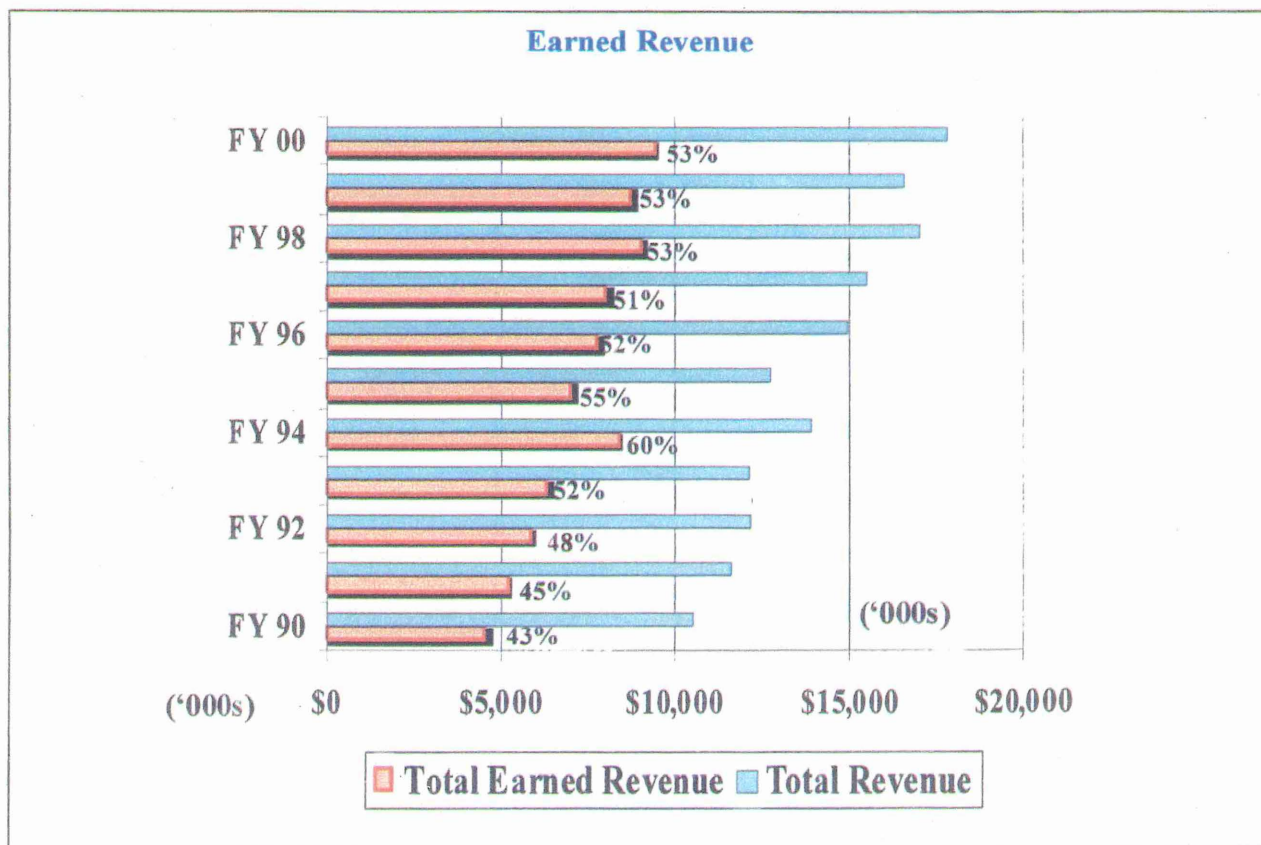
Our findings can be summarized as follows, and are backed up by surveys and other external sources to be found in the appendix to this study.

Market Penetration

- The Zoo has relatively high awareness and visitor satisfaction levels, but relatively low market penetration compared to zoos nationwide. (See market research surveys in Appendix.)

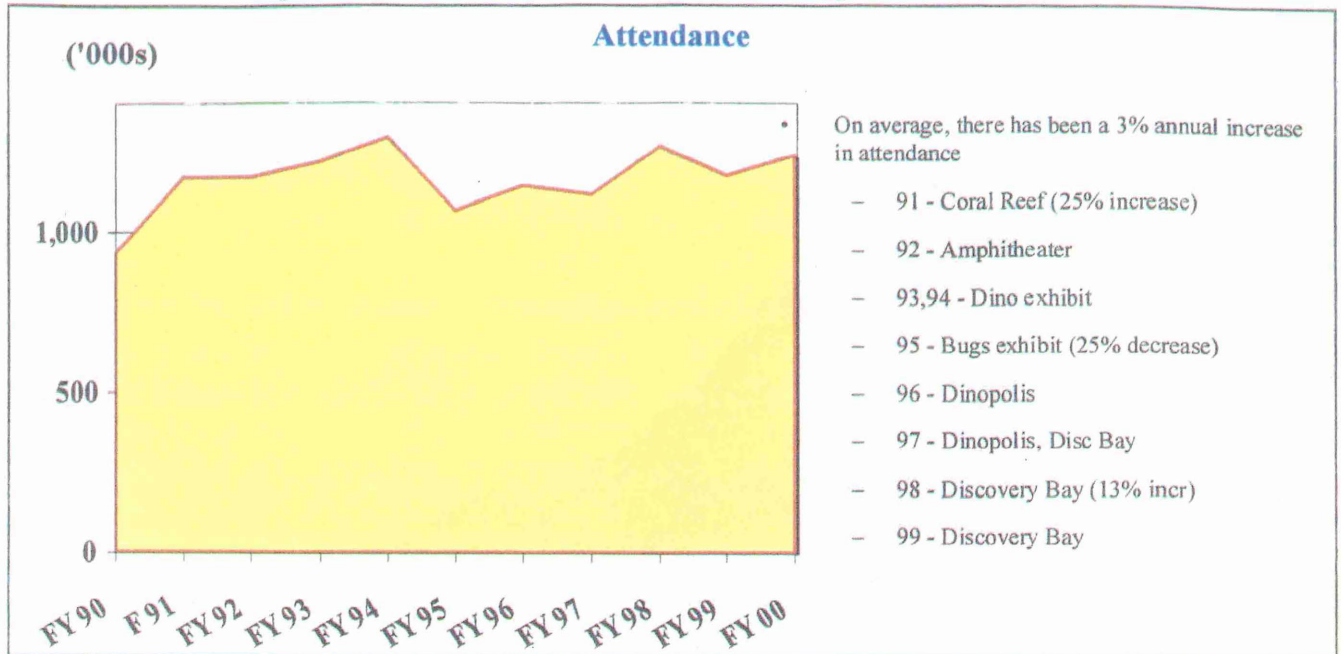
Earned Revenue

- Total earned revenue accounts for more than half of total revenue since FY 93.



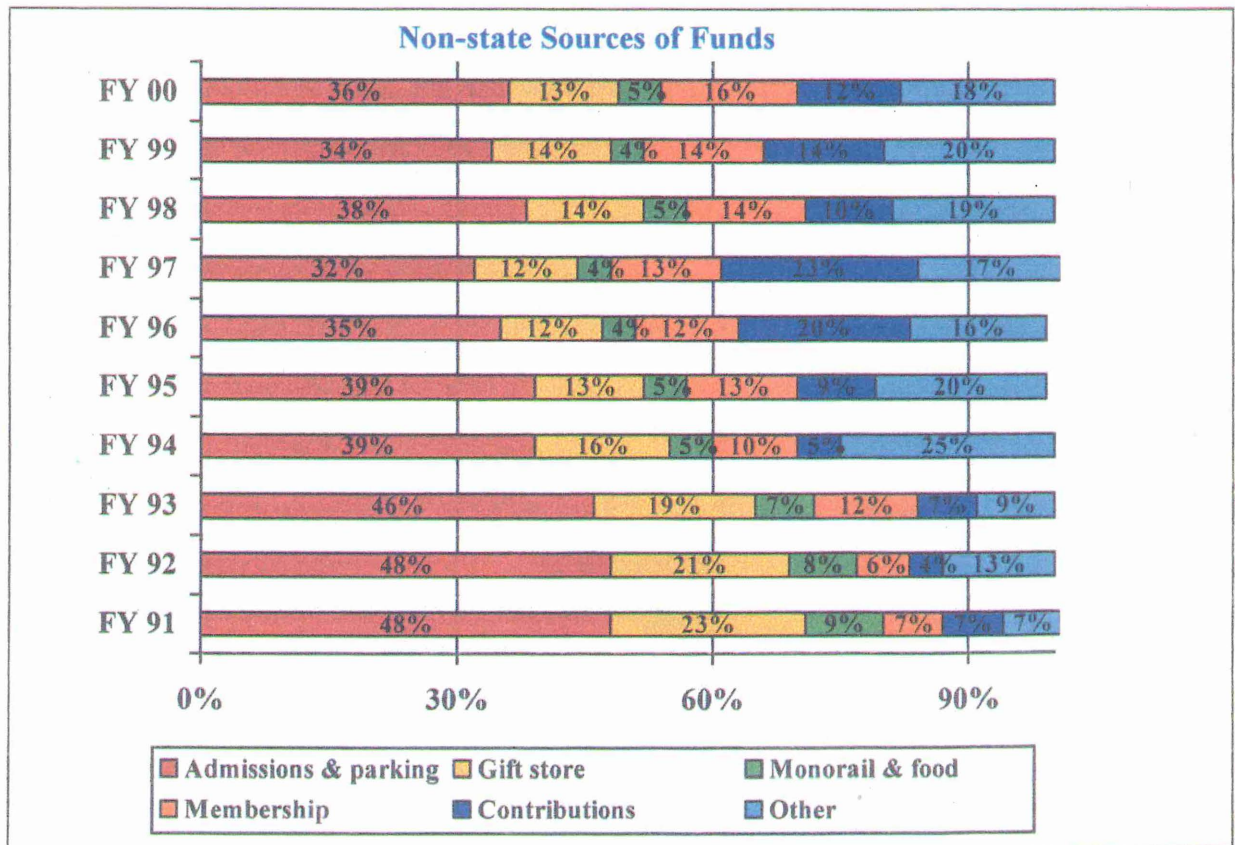
Attendance

- Since 1990 the Zoo's attendance has increased by 3% annually. This compares favorably to other zoos and local organizations, where, with few exceptions, attendance has been flat or declining in recent years.



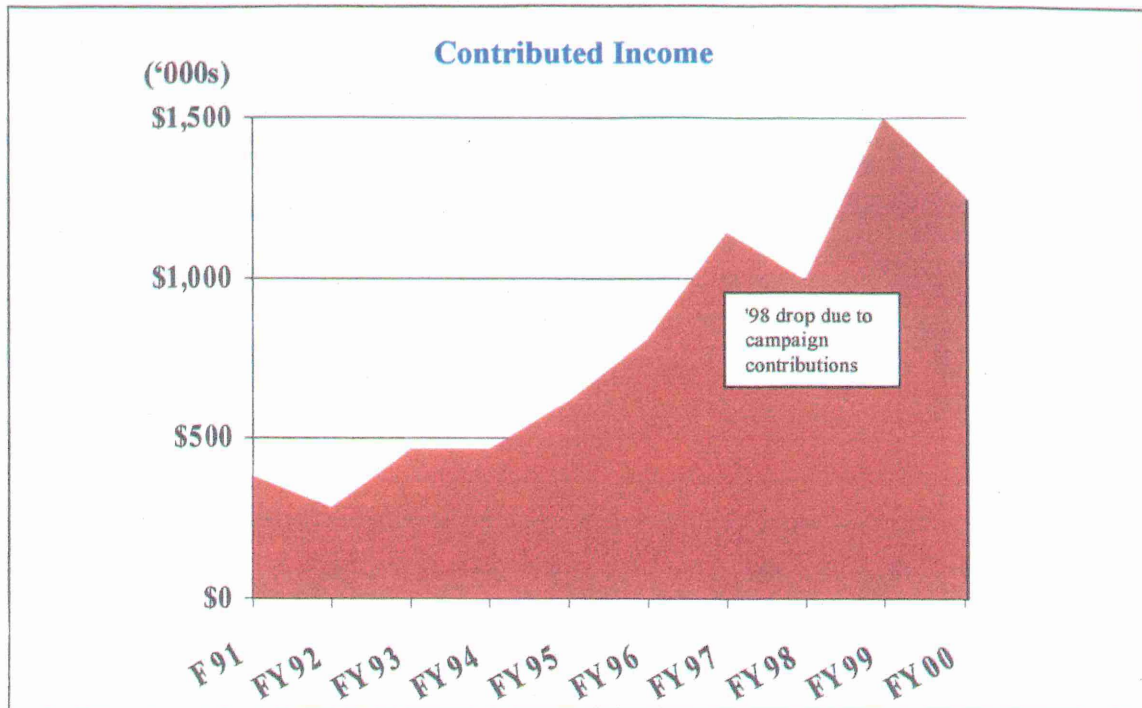
Non-state Sources of Funds

- Membership and contributed income have increased steadily since 1990.



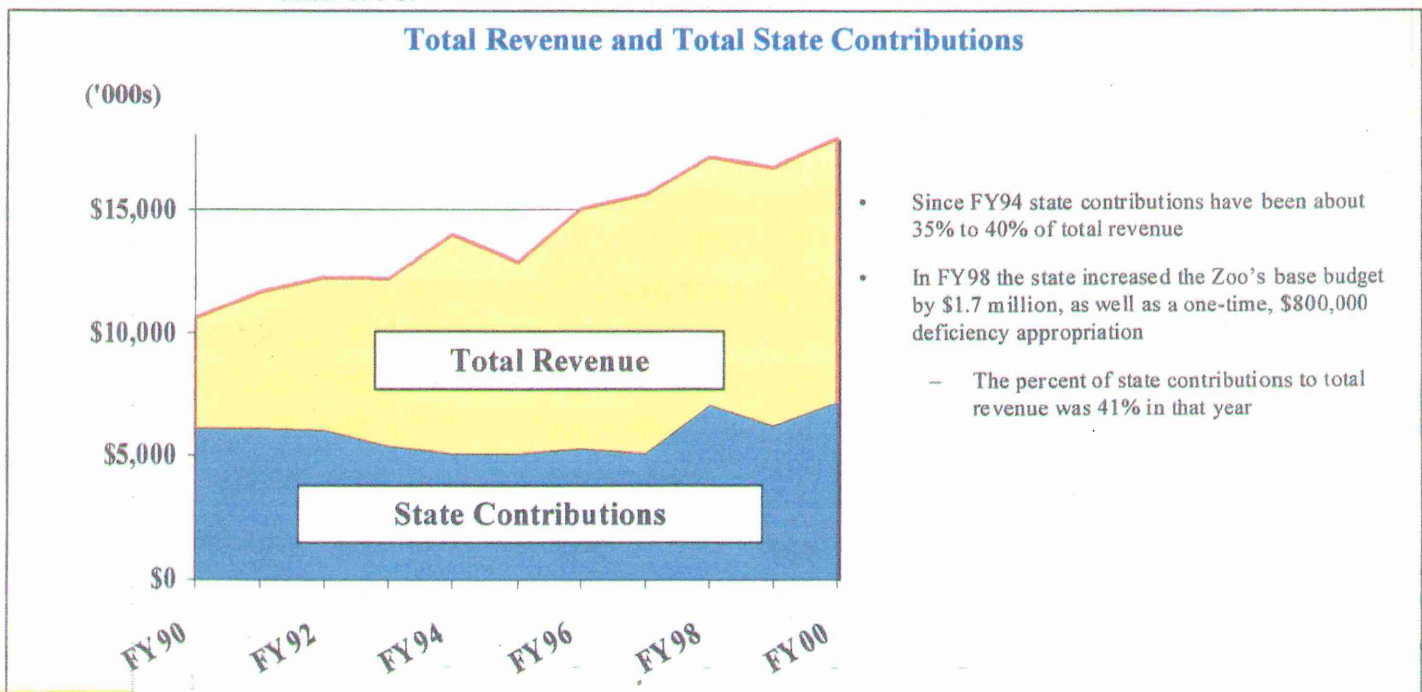
Contributed Revenue (operations only)

- Between 1993 and 1999 the average annual increase in contributed income has been 30%. (In addition, the Society and Foundation contributed \$16 million in capital support since the zoo opened in 1978.)



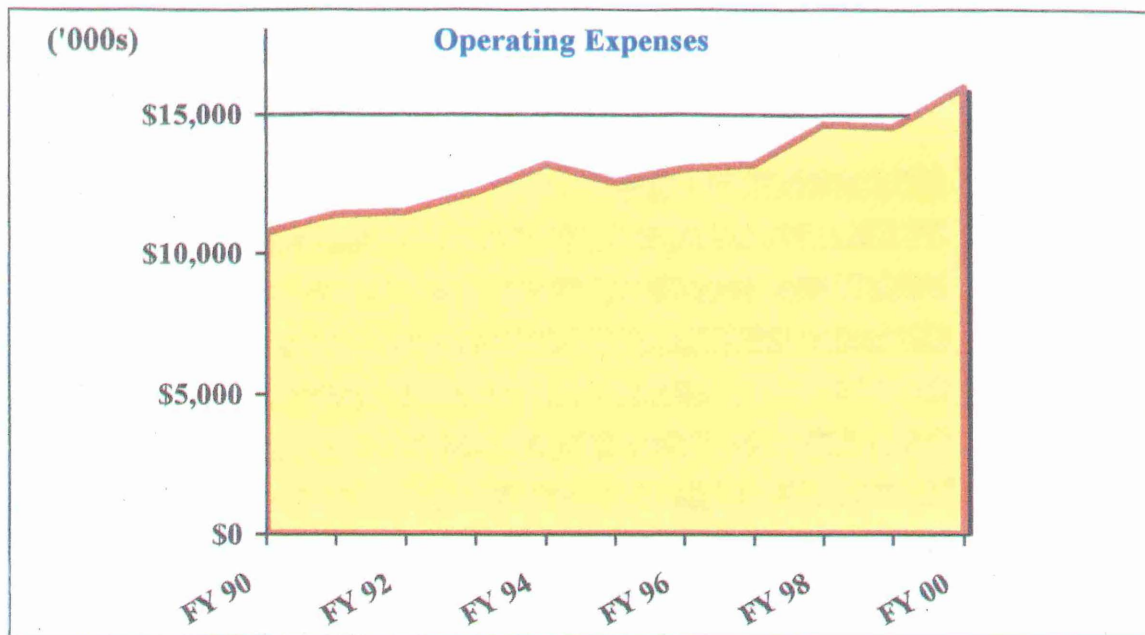
State Appropriations

- Total Zoo revenue has increased steadily, while state support remained flat until 1998.

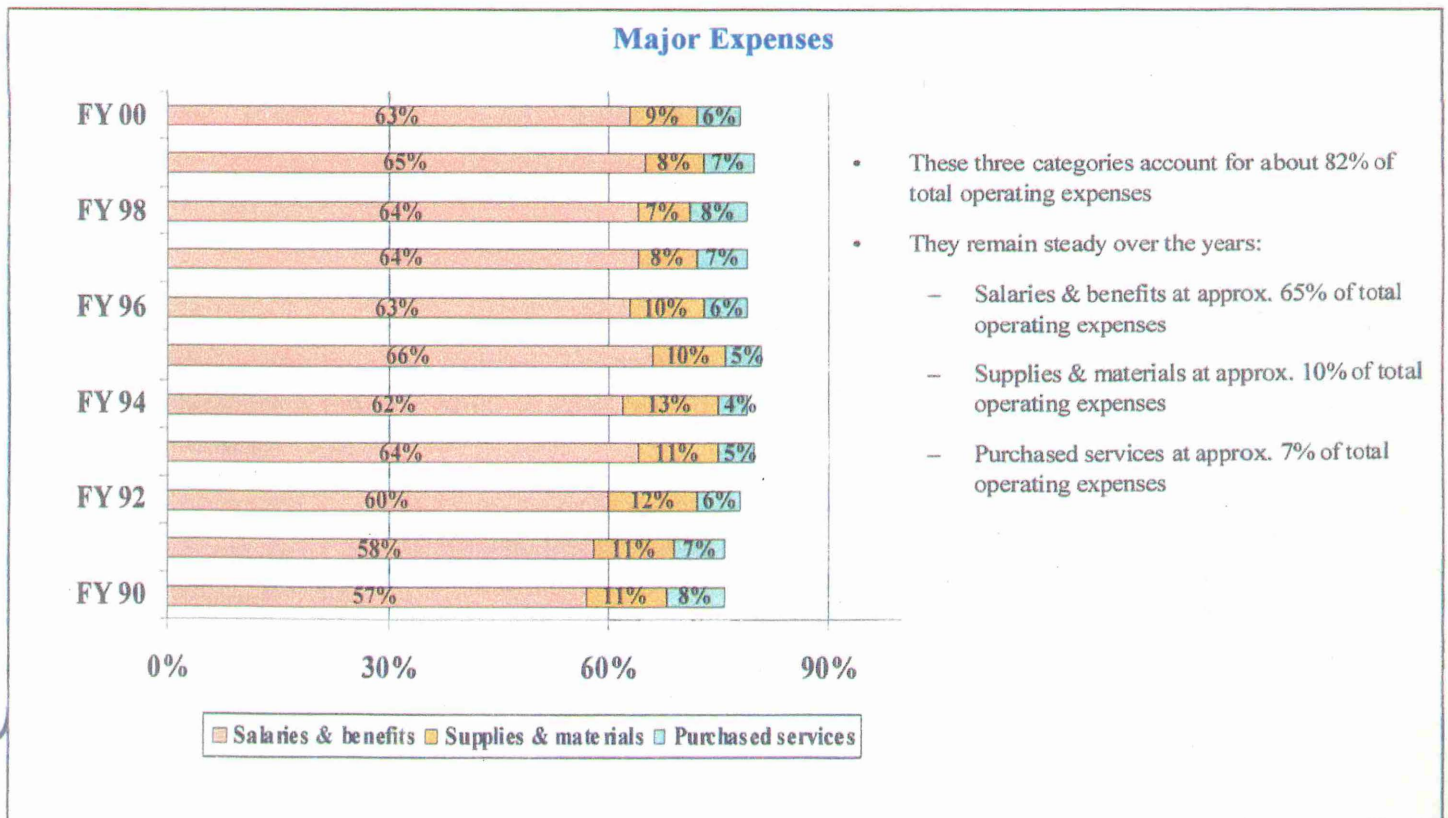


Operating Expenses

- On average, there has been a 4% increase in expenses since 1990.

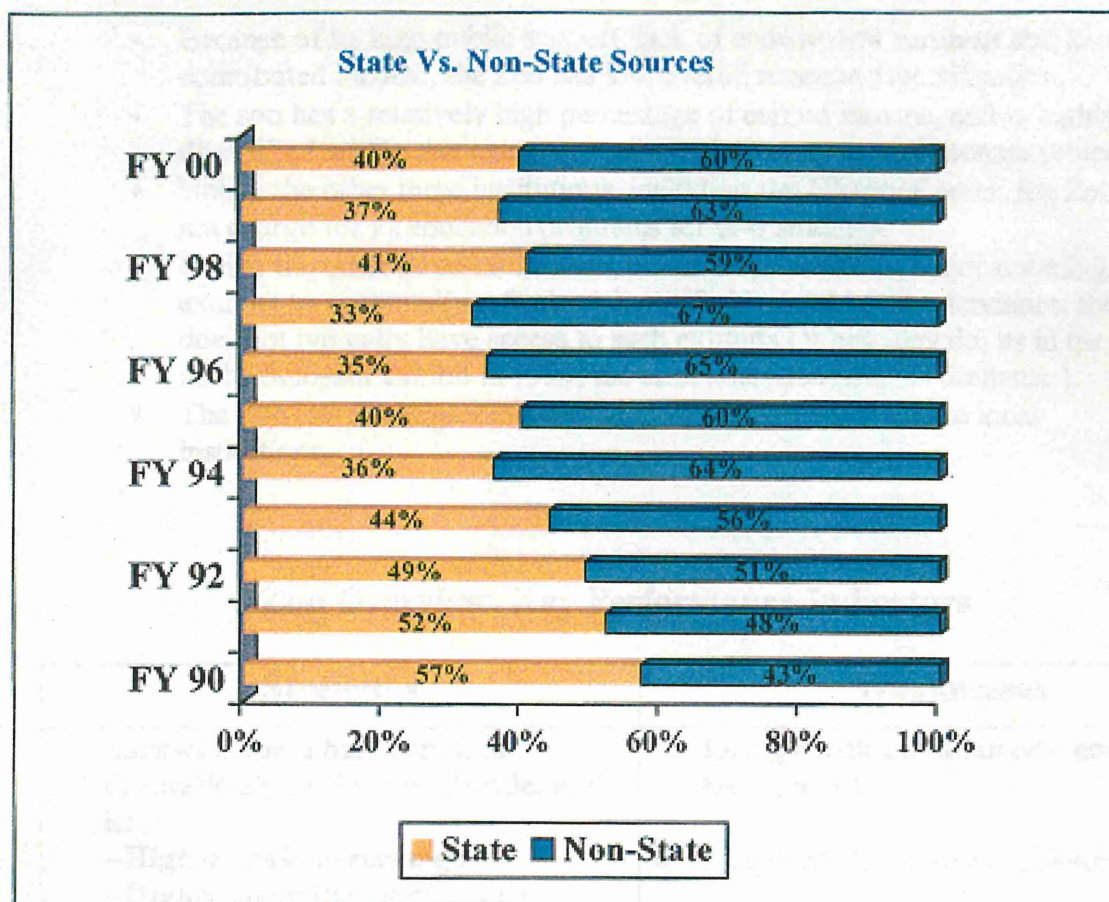


- Salaries and benefits account for 65% of total operating expenses.



Sources of Funds

- Since 1990 the percent of non-state sources of funds has increased from 43% in 1990 to 63% in 1999.



The Zoo compares favorably with its eight peer "benchmarking" zoos across the country: its revenues per visitor are relatively high, its ratio of full-time employees to developed acres is very low, and its level of earned income per visitor is relatively high. Areas where improvements could be made are in cost per visitor, market penetration and contributed income.

Out of all the zoos and aquariums in the U.S., the Zoo has a lower than average percentage of its operating budget provided by tax support (37% vs. 50%). Of the eight "benchmarking" zoos, the Minnesota Zoo ranks seventh in public support. Of the 3 local nonprofit institutions, the Zoo's percentage of government support is higher than the Science Museum (17%), very close to the Minneapolis Institute of Arts (30%) and considerably less than the Minnesota State Historical Society (74%).

A comparison of the Zoo's revenue mix compared to these three local institutions appears in the chart on the following page, and can be summarized as follows:

- Because of its high public support, lack of endowment earnings and low contributed income, the Zoo has low overall revenue diversification.
- The zoo has a relatively high percentage of earned income, and is highly diversified within this category, undertaking many earned income projects.
- Unlike the other three institutions, including the History Center, the Zoo does not charge for its education programs for K-6 students.
- Unlike the other three institutions, which have access to major traveling exhibits to continually refresh visitor offerings and boost attendance, the Zoo does not typically have access to such exhibits (When they do, as in the case of the dinosaur exhibit in 1994, the effect on attendance is dramatic.)
- The Zoo has the largest number of members among the three local institutions.

Zoo Overview: Key Performance Indicators

Strengths	Weaknesses
<ul style="list-style-type: none"> • Earned income has increased dramatically in the past decade, and is: <ul style="list-style-type: none"> –High overall percentage –Highly diversified within this category –High earned income per visitor • High awareness and satisfaction levels • Strong non-state revenue per employee • Capital contributions via the Zoo Foundation total about \$16 million 	<ul style="list-style-type: none"> • Low-growth attendance(= national and local trend) • Relatively low market penetration • Unrestricted contributed income is low compared to other local nonprofits, about average compared to benchmarking zoos • High cost per visitor • Low overall revenue diversification; no endowment • Percentage of paid visitors is low (50%, due in part to free k-6 school visits)

Local "Comparable" Institutions: Revenue Mix

	MN Historical Society	Science Museum	MN Institute of Arts	MN Zoo
Earned Income	\$ 8,331,000 (24%)	\$13,010,000 (62%)	\$6,984,000 (39%)	\$8,296,000 (50%)
Earned Inc w/o endowment earnings	\$3,631,000 (11%)	\$11,365,000 (54%)	\$3,319,000 (19%)	\$8,296,000 (50%)
Contributed Income	\$ 700,000 (2%)	\$ 3,504,000 (17%)	\$4,598,000 (26%)	\$1,511,000 (9%)
Public Income	\$25,130,000 (74%)	\$ 3,575,000 (17%)	\$5,356,000 (30%)	\$6,200,000 (37%)
Comments	<ul style="list-style-type: none"> • Low revenue diversification • Very high public support • Charge a \$1 fee for educational programs • Highest membership for a state historical society in the nation • In the midst of a \$25 million capital and endowment campaign 	<ul style="list-style-type: none"> • Highly diversified revenues • Modest public support • continuing education and film and exhibit fees account for 51% of earned income and 32% of total budget • Take maximum advantage of public grants support (LCMR, NEH, NSF) • Just completed a \$99 million capital campaign 	<ul style="list-style-type: none"> • Medium diversification of revenues • High public support • Endowment earnings account for 52% of earned income and 21% of the total operating budget • Strong project grant support • Recently completed a \$50 million capital and endowment campaign 	<ul style="list-style-type: none"> • Low overall diversification of revenues • High public support • No endowment • Relatively high percentage of earned income, and highly diversified w/in category • Low contributed income • No federal grants • Just completed a \$9 million capital campaign

Local "Comparable" Institutions: Revenue Mix

	MN Historical Society 99	Science Museum 98/99	MN Institute of Arts 98/99	MN Zoo 98/99
Operating Budget	\$ 34,161,000	\$ 21,000,000	\$ 17,775,000	\$ 16,700,000
Earned Income				
Admissions	# 1,168,870 (753,361 sites, 415,509 MHC) \$ 1,175,000	# 1,100,000 \$ 3,056,000	# 500,000 \$ 213,000 (special exhibits only)	# 1,265,000 \$ 3,800,000
Membership	# 16,200 \$ 540,000	# 21,000 \$1,074,000	# 24,800 \$ 1,274,000	# 27,300 \$ 1,450,000
Retail (net)	\$ 160,000 all sites	\$118,000	\$296,500	\$581,000
Investment Income	\$ 4,700,000	\$ 1,645,000	\$3,665,000 (for operations only)	\$ 37,000
Other	N/A food \$ 639,000 publications \$ 234,000 program fees \$ 883,000 other	N/A food \$4,124,000 prog fees \$ 460,000 parking \$2,533,000 films/exb	N/A food \$ 266,000 prog fees \$ 216,000 space rental \$1,053,000 other	\$ 567,000 food (net) \$ 463,000 m'rail \$ 330,000 prog fees \$1,070,000 other
Contributed Income				
Unrestricted (AFnd)	\$ 474,000	\$1,623,000	\$3,309,000	\$381,000
Project Grants	\$ 226,000	\$1,881,000	\$1,289,000	\$1,130,000
Public	\$ 23,991,000 state \$ 500,000 federal \$ 639,000 other	\$1,164,000 State 550,000 County 1,861,000 Other	\$ 268,000 MSAB \$4,934,000 County \$ 154,600 Other fed/st	\$6,200,000 State

Sources

Deborah Mayne
Shanna Crosson

Duane Kocik
Jane Eastwood

99 Annual Report, audit
John Easley
Kris Davidson

Jim Reinholdt

	Op Budget (\$M)	Attendance (M)	FT/PT Employees	Members	Adult Admission Charge (\$)	# of Developed Acres	Public Support (\$M)
Minnesota Zoo (1978) City owned, society operated	17.1	1.3	170/50	25,625	8.00	145	7.0
Other Zoos							
Cincinnati (1875) City owned, society operated	16.0	1.3	240/110	40,146	10.00	75	6.2
Denver (1896) City owned, society operated	14.2	1.6	177/44	41,341	8.00	80	5.8
Lincoln Park (1869) City owned, society operated	16.1	3.0	170/5	19,000	0.00	35	5.6
Milwaukee (1904) County owned & operated	13.3	1.3	130/4	51,600	8.00	194	1.2
Omaha (1966) City owned, society operated	14.2	1.1	180/125	64,868	7.25	130	1.6
St. Louis (1913) City owned & operated	27.2	2.5	275/100	25,578	0.00	91	11.0
Toledo (1900) Society owned & operated	13.3	1.0	130/400	43,000	6.00	61	4.1
Woodland Park (1900) City owned & operated	11.1	1.1	128/81	37,000	8.50	94	1.6
Local Non-Profits							
MN Institute of Arts	17.8	0.5	N/A	24,800	0.00	N/A	5.4
MN State Historical Society	34.2	1.2	N/A	16,200	0.00	N/A	25.1
The Science Museum	21.0	1.1	N/A	21,000	7-12.50	N/A	3.6

STRIKING A BALANCE BETWEEN MONEY AND MISSION

What good...for what people...at what cost

Key Quantitative Performance Measures

Financial Measures

Attendance
Ratio of full time employees to developed acres
Attendance revenue
Admissions revenue/visitor
Ratio of attendance to metro population
Average ticket price
Paid attendance %; paid attendance
Expenses/visitor
Wages and benefits as a % of expenses
Earned income per visitor
Ratio of earned to total revenue
Ratio of contributed to total revenue
Non-state revenue per full time employee
Awareness

Balance Sheet Targets and Ratios

Net current assets
Working Capital Reserves
Liquidity
Designated operating reserve
Quasi endowment
Endowment
Plant fund

Key Qualitative Performance Measures

What good...

- Is the zoo carrying out its mission?
 - Education
 - Recreation
 - Conservation

For what people...

- Is the zoo accessible/affordable to underserved audiences?

At what cost...

- Does the zoo produce economically justifiable, properly chosen, well targeted results?

	Admissions \$/visitor	Ratio of attendance to metro population	#of FT employees per developed acres	\$ Expenses /visitors	\$ Earned Income per visitor	Ratio of earned to total revenue	Ratio of contributed to total revenue	Non-state revenue (\$) per FT employee
Minnesota Zoo	3.08	44%	1.2	13.53	6.45	50%	6%	53,854.71
Other Zoos								
Cincinnati	4.59	79%	3.2	N/A	7.72	84%	16%	49,916.90
Denver	2.42	80%	2.2	N/A	5.38	47%	21%	69,399.28
Lincoln Park	0.00	37%	4.9	7.62	2.17	41%	23%	59,411.76
Milwaukee	3.11	88%	0.7	N/A	8.24	83%	8%	83,846.15
Omaha	2.36	157%	1.4	N/A	11.39	80%	10%	78,438.82
St. Louis	0.11	96%	3.0	12.93	6.64	58%	4%	64,683.66
Toledo	2.05	161%	2.1	N/A	7.83	62%	7%	68,461.54
Woodland Park	2.46	46%	1.4	11.64	4.48	74%	2%	39,891.34

TRENDS, ANALYSIS AND ALTERNATIVE SCENARIOS

INDUSTRY CONTEXT

Zoo Privatization Trend

There has been a strong trend towards zoo privatization in the past decade. In 1986 57 percent of zoos were managed by a government agency (city, county, federal government, park and recreation board, state government). By 1996, 60 percent of zoos were managed by private entities. Of the 40 percent of public zoos, 62 percent are managed by a city, 15 percent by a county, 12 percent by a special district, eight percent by a state, and three percent by the federal government.

Most private zoos are managed by zoo societies (54%). Private zoos are also managed by corporations and private companies, like Busch Gardens (25 percent); or foundations and trusts, like Monterey Bay Aquarium (10 percent).

Typically, it takes from 1.5 to two years to undergo the transformation from a public to a private zoo. In some cases, the process takes much longer. Seattle, for example, started five years ago, and is still quite a way from privatizing (due to political issues surrounding public support for a new taxing district).

There are two major reasons that a zoo would privatize:

- Financial and management crisis: animal deaths, loss of accreditation, financial malfeasance
- Change in public funding climate: there can be significant opportunities to decrease costs (such as elimination of duplicate functions, lowering of personnel costs or elimination of bureaucratic restrictions). There could also be opportunities to increase contributed or earned income.

Whatever the reasons for privatization, the benefits of doing so need to be more than incremental, or the risks of privatizing outweigh the benefits.

The major short-term challenges a zoo faces when privatizing are board and staff transition, transaction costs and interpretation of language in the privatization lease or employee contracts. The major long-term challenges are financial stability for operations and capital funding.

Those zoos currently considering privatization have the benefit of learning from those zoos that have already undergone the process. There are five major keys to success:

- Leadership: internal board and staff, and inclusive external community, government and private support for the process
- Funding: continuing solid public financial support. Privatization does not mean the elimination of public support. It usually means converting from public ownership and management to private management and public ownership, with significant ongoing operations and capital support.
- Vision: a compelling vision for the zoo's future

- **Business Plan:** an accurate assessment of operating costs going forward
- **Timing:** orchestrating all the variables

Those zoos that have risen to the challenges of privatization speak positively about the culture change that gradually took place in their own organizations. There is appreciation for the fact that they are now in charge of their own destiny. Usually, such comments come from zoos with especially burdensome bureaucratic restrictions. The privatization process itself, if properly managed, can create a more broadly shared sense of community responsibility and pride in a zoo and its place in the community. Another potential positive is the ability to pay top staff closer to market rates, thereby attracting a larger and possibly more qualified talent pool.

None of this is to say that government-run zoos are doomed to extinction. While privatization of zoos has increased steadily over the past decade, the momentum has slowed, and there are still a large number of government-run zoos. According to a study conducted in 1996, even if privatization continued at its then-current rate, there would still be between 40 to 50 government-run zoos and aquariums in the year 2005.

At the current time there is only one other state-run zoo in the country: The North Carolina Zoological park in Asheboro, North Carolina.

	Minnesota Zoo	North Carolina Zoo
Opened	1978	1974
Owned	State Agency	Owned and managed by the Department of Environment, Health and Natural Resources
Size	500 acres	550 acres
Budget	\$17 million	\$15 million
Attendance	1.2 million	782,000
FT employees	170	248
Members	26,000	19,000
State support	\$7 million	\$9.5 million
Operations & capital funding since opening	\$165 million	\$500 million
Director's salary	\$102,000 (salary cap)	\$153,000 (no salary cap; one-third funded by zoo society)

Key National Trends

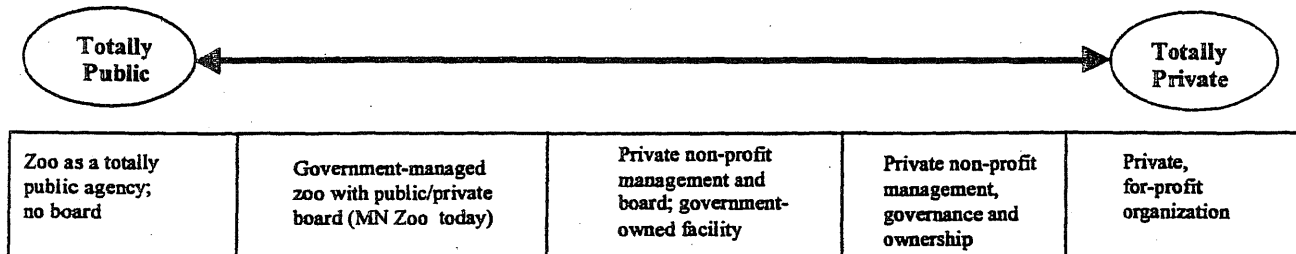
There are a number of major demographic, lifestyle, technology and social/cultural trends that will directly affect zoos and aquariums in the future:

- Population growth: the U.S. population will increase by 20 percent by 2020. (By contrast, the seven-county metro population is projected to grow by 18 percent by 2010; Dakota County is projected to grow by 30 percent in the same period.) Minority groups are growing at the most rapid rate.
- Immigration is boosting urban area populations, but flight to the suburbs is escalating.
- The proportion of older Americans will increase, and as baby boomers age, they'll have better health and more accumulated wealth.
- Boomers share a concern for the environment, and will seek out educational and recreational opportunities in this area.
- Society's definition of "family" will continue to evolve, but the importance people place on it will not change.
- As concerns about violence grow, people will seek out places for safe experiences.
- People will seek out places to affiliate and socialize, to counteract the isolating effects of technology.
- Travel and tourism will continue as the fastest-growing sector of the economy. In 1996, 28 percent of American families visited a theme park, zoo or aquarium, on vacations, making them the sixth most popular choice after historic sites, cities, oceans, lakes and family reunions.
- Burgeoning e-commerce offers opportunities for zoos in ticket sales, logo merchandise and customer service.
- People value zoos and aquariums as trusted sources for information at a time when the importance of informal education is increasing emphasized. Zoos and aquariums rank below only the National Geographic Society and Jacques Cousteau as "trusted messengers on the environment."
- The importance of zoos and aquariums as "living labs" whose education and conservation programs are working to ensure the preservation of wild habitat and species survival will only grow in the future.
- As government subsidy of cultural institutions continues to decline, zoos face pressure to generate more earned and contributed income. As zoos nationwide face funding shortages, they are being forced to use more for-profit business strategies and to compete directly with other leisure-dollar options. the trend towards reduced government subsidy has the potential to be counterbalanced by the transference of "Boomer" wealth and an increase in charitable giving.
- People in this culture expect the latest and greatest. Finding creative, cost-effective, often short-term solutions to extend a zoo's product life cycle that will gain or regain visitors will be a major challenge. Among cultural institutions, zoos are particularly capital-intensive, and their infrastructures are aging.

*This data is summarized from the 2020 Trend Report published by the American Zoo and Aquarium Assn.

B. The Governance Continuum

The possibilities for governance of the Minnesota Zoo exist along a continuum, from totally public to totally private.



There are advantages and disadvantages to each type of governance structure, which are summarized in the chart on the next page.

If the Minnesota Zoo were being created today, we might not choose to make it a State zoo, for the reasons listed: blurred "ownership," unclear advocacy, confused accountabilities, and complex, dual board structure. Given the fact that the Minnesota Zoo exists in its current form, the question is whether the risks and costs of changing the governance structure outweigh the potential benefits.

Governance Models

Public

Private

Governance Type	Zoo as a State Department or Agency within a Department	Zoo as a Local/Regional Agency or Department	State Zoo with Governing Board	Zoo as a Hybrid (Private Governance and Mgm't; Public Ownership)	Zoo as Privately Governed and Owned	Zoo as Private, For-Profit Organization
Models	North Carolina Zoo (Dept. of Nat. Resources)	Denver Zoo Cleveland Metroparks	Minnesota Zoo Minnesota Historical Society	Lincoln Park Zoo	MN Institute of Arts	Sea World Underwater World Disney Zoo
Pros	<ul style="list-style-type: none"> --Clear accountability and "ownership" --Clear government financial obligations --Clear lines of communication --Access to bonding \$\$ --Highest commitment to outreach, access --Advocacy and support established 	<ul style="list-style-type: none"> --Spreads financial responsibility broadly --Local sense of ownership and pride --Commitment to outreach and access 	<ul style="list-style-type: none"> --Can be best of both worlds: freedom and accountability --Significant government support for operations and capital --Some incentive for entrepreneurial activity --Some commitment to outreach, access 	<ul style="list-style-type: none"> --Public-private partnership --Shared responsibility --Potential for stronger board --Greater incentive for entrepreneurial activity --Freedom from potentially costly and burdensome government systems --Some commitment to outreach, access --No sales tax on admissions, materials 	<ul style="list-style-type: none"> --No ambiguity in ownership, accountability --No sales tax 	<ul style="list-style-type: none"> --Strong entrepreneurial incentives --Market rate pay for top management --Strong market-based entertainment offerings
Cons	<ul style="list-style-type: none"> --Less incentive for entrepreneurial activity --Low pay for management relative to similar-sized zoos --Difficult case for private support 	<ul style="list-style-type: none"> --Difficult to create new taxing authority in current political climate --Local governments tend to have more limited resources --Access to Bonding \$\$? --Same potential for inefficient systems as State option 	<ul style="list-style-type: none"> --Blurred "ownership" --Advocacy unclear --Can be worst of both worlds: government restrictions on zoo; unclear accountability of zoo --Board not as strong as it might be under private governance model 	<ul style="list-style-type: none"> --Access to bonding \$\$? --Higher insurance costs --Borrowing costs? --Ambiguous ownership and accountability --Less certain government financial support 	<ul style="list-style-type: none"> --Very limited government operating support --No access to government bonding --Higher insurance costs --Very difficult to transition from current public agency structure 	<ul style="list-style-type: none"> --Higher ticket prices --Weak or non-existent educational mission --Hard to make a profit --Less commitment to conservation, science --Not an economically viable option for a community with low tourism

**KEY VARIABLES:
WHAT WOULD CHANGE IF THE MINNESOTA ZOO BECAME A PRIVATE
NONPROFIT ORGANIZATION?**

A major focus of this study involved identifying and estimating the financial impact of a potential change from a governmental agency to a nonprofit organization. Early in the process, we developed a list of financial variables that would be affected by such a change. Importantly, we also identified variables which would not change solely as a result of a change to nonprofit status.

OPERATING REVENUES	
Admissions	No change in number of visitors No change in ticket price No change in free ticket policies without legislative action
State appropriation	No change without legislative action Some additional future risk if not a state agency
Contributed income	May increase but not necessarily as a result of nonprofit status alone
Other earned revenue	No change solely as a result of nonprofit status
OPERATING EXPENSES	
Salaries	Zoo employees would no longer be state employees Some salaries would change in order to become more consistent with market levels Number of employees may change slightly based on new functions to be performed by the nonprofit
Benefits	Employee benefits set by market practices rather than state collective bargaining process
Supplies and materials	No change; Zoo is already free of many state restrictions on purchasing
Insurance	State indemnification statutes may no longer apply if Zoo is a nonprofit agency. A safe assumption is that the Zoo would need to pick up the added costs of insurance, however, some zoos have managed to keep their indemnification from the governmental entity.

Purchased services	As a nonprofit, Zoo would need to replace services currently provided by the State at reduced or no cost (legal, finance, accounting, labor relations, etc.)
Other expenses	No change. Other expenses tend to vary with admissions.
CAPITAL	
Bonding	Access to government debt financing is typically retained when other zoos have privatized. Depends on legislative action.
Capital expenditures	Zoo may need to purchase additional equipment to perform services previously supplied by other state agencies, e.g. computer systems.
TAXES	
Sales taxes	As a nonprofit, the Zoo would not pay sales tax on admissions and on purchased materials; would still pay tax on store purchases
Property taxes	No change resulting from change to a nonprofit entity
GOVERNANCE	
Governing Board	Under the nonprofit governance model, the Minnesota Zoo would become a 501(c)(3) organization governed by an independent board of directors. In most cases, nonprofit governing boards are self-perpetuating boards with a membership consisting of citizens elected by the current board membership for specified terms. It is unlikely that the Governor would continue to appoint half of the Zoo's governing board, as is now the case.

WHAT WOULD BE THE IMPACT ON PRIVATE CONTRIBUTIONS TO THE MINNESOTA ZOO

Study Rationale and Methodology

The purpose of this portion of the Zoo Governance Study was to:

- Explore and attempt to quantify the impact of State subsidy on current and prospective private support; and
- Ascertain the likelihood of significantly increasing financial support for Zoo operations.

There were three areas in which we sought to measure the potential for successfully increasing private support:

- General awareness of the Zoo's programs and financial status and relationship to the State
- Level of confidence in Zoo management
- Importance and urgency of the case for support of the Zoo, and the potential effect of a change in governance on giving

We interviewed the following high-level philanthropic leaders:

- Sarah Andersen – Scenic River Foundation
- Sarah Lutman – Bush Foundation
- Jay Cowles – Community leader
- Ned Dayton – Community leader, former Zoo Board Chair
- Jud Dayton – Community leader, co-chair of Science Museum campaign
- Ellen Luger – General Mills Foundation
- Dick McFarland – Dain Rauscher, chair of Zoo campaign
- Rip Rapson - McKnight Foundation
- Penny Hunt and Kay O'Keefe - Medtronic Foundation
- Carolyn Roby – Wells Fargo Foundation
- Ron McKinley – The St. Paul Companies
- Paul Verret – The Saint Paul Foundation
- Cindy Kleven – 3M Foundation
- Bill McGuire – CEO United Health Care

Summary of Findings

Corporate Foundations

- Perceptions of the quality of the Zoo's management are very high
- Giving levels are quite low
- All but one said state support was not a disincentive to giving
- Not optimistic about increasing giving levels; Zoo not a high priority

Private Foundations

- Two of three interviewed gave nothing; the one donor was very positive about Zoo programs and management
- State support of the Zoo was not a disincentive to giving
- Zoo is not as high a priority as other cultural institutions
- One said future giving was very unlikely; another said for capital only; another seemed receptive to increasing support, especially for "rebuilding"

Individuals

- Low awareness; interest tied to age of their children
- Low personal financial support

Detailed Findings

Awareness of Zoo Programs, Financial Status and Relationship to the State

Of the six corporate foundations interviewed, three had never given to the Zoo, one had made significant restricted program support and two had made a major campaign gift. Only one was contributing a modest annual gift.

All of the corporate foundation giving officers except one had little to no knowledge about the Zoo's status as a state agency, or its level of State funding. One who was aware of some level of state support indicated that, "It wouldn't change how and what we give; state money is not an issue for us." One individual felt that it was "discouraging" to read and hear all the bad publicity about the Zoo and its criticism by legislators, and felt that this might influence potential donors. Another remarked that the perception of instability makes it hard to attract and retain top leadership. Most expressed an understanding that the Zoo's relationship with the State was a public-private partnership, and there was nothing inherently wrong with that.

In general, the private foundation leaders we interviewed had a good understanding of the challenges of a public-private relationship. As with the corporate foundation leaders we interviewed, none felt that this was in and of itself a disincentive to private giving.

Of the community leaders we interviewed who were not already connected to the Zoo in some way, one said that he knew that there was some state role in the Zoo, and the other said he "never knew the government was so intimately involved." When told the extent of the State's financial support, one said that if the Zoo were to become privately managed, a strong case could be made for the State as a "backstop." Another said that, "The Zoo is a basic State cultural facility, and ought to have State support."

Level of Confidence in Zoo Management

Three of the corporate foundation leaders had visited the Zoo as part of a funding request. All expressed unequivocal, enthusiastic support. Because these individuals were relatively unfamiliar with the Zoo and its leadership, their experience was described in terms of a pleasant surprise. Their expectations were greatly exceeded. All expressed great regard for Kathryn Roberts and her leadership, using words like, "high quality, very professional, well-managed." Those who toured the Zoo as part of a formal site visit came away with very positive impressions, and felt there was more to the Zoo than they had imagined.

Of the three foundation leaders, one had never given to the Zoo, and two had a long history of support. The impressions of one senior program officer are worth recounting in detail: "I approached the Zoo's campaign request like a crabby child, because I felt that zoos are too entertainment-oriented. After a visit with Kathryn Roberts and the Zoo's head of biological programs, I decided they are a first class institution. They think

and worry about the balance between education and entertainment more deeply than any other cultural institution I know of. I came to love the place. Kathryn did a great job." The consultant who wrote the report recommending that this foundation make a grant to the Zoo said, "The Zoo is an astute organization, marked by excellence in purpose, programs, people and physical spaces." Needless to say, this foundation made a major grant to the Zoo's campaign.

Another foundation leader with a long history of support to the Zoo said, "Kathryn did a great job." Several corporate and foundation leaders spoke highly of the professionalism of the Zoo's Vice President for Development.

The individual community leaders interviewed did not express any particular awareness of the Zoo's management one way or another. One individual said he would need to see, "evidence of a confident long term strategy that encourages people to believe that the Zoo is a good investment."

Importance and Urgency of the Case for Support of the Zoo

Despite their favorable impression of Zoo programs and management, all corporate foundation leaders expressed great caution about the prospects for starting or increasing unrestricted operating support. One said, "Even though the Zoo has a good case, things are getting tougher, it's harder to get support now, it's a harder sell for all organizations than even a few years ago." One individual whose foundation had made a major gift to the campaign indicated that, to her surprise, the Zoo had come in only once in the past decade for unrestricted operating support. She said, "The Zoo hasn't made overtures into the corporate community."

Another corporate foundation leader said that she and her foundation head had had an excellent site visit to the Zoo, but ultimately declined its campaign request. "We had been thinking quite positively," she said, but then the foundation happened to receive a funding request from the Como Zoo. This muddied the waters, because Como is free. At the same time, there was the negative publicity about Discovery Bay.

One of the corporate foundation leaders said that her corporation would consider an annual operating support grant, but it would take evidence that their employees patronized the Zoo, and it would probably require putting an executive on the Zoo's board. The other corporate foundation leaders were more pessimistic. One indicated that her foundation "might do a one-time grant to help address the Zoo's need to change and grow," but "we'll probably continue to say no to general operating support grants and capital grants." Another individual said, "We're not looking for new ways to take on annual operating support. We already have our regular annual operating support recipients."

One corporate senior foundation program officer with a long tenure in the Twin Cities said that her foundation made a "very modest" annual operating support grant to the Zoo, "Because they don't really need us to exist. They have the State." When asked whether the same logic was applied to the Minneapolis Institute of Arts with millions in earnings from their endowment (as well as a \$4.9 million grant from the county), she indicated, "That's different. Income from an endowment isn't as stable or permanent as ongoing state support." This individual was shocked to learn that other corporate foundation leaders claimed that the level of state support had no influence on their giving: "State support absolutely is a factor for everyone, even if not at a conscious level."

A corporate foundation director recalled a brainstorming session held at the Minneapolis Club some years ago, when the Zoo board chair gathered community leaders together to assess the prospects of the Zoo moving to the "next level of importance." She recalls that community leaders were "very cautious about the capacity of the Zoo to raise money."

Of the two private foundation leaders, the one that had made a significant campaign grant indicated that the Zoo might be considered for a program grant, perhaps in the area of the environment. She observed that she thought the Zoo was suffering from the fact that other private foundations "very narrowly cast" their definition of a cultural organization to the exclusion of organizations like the Zoo or the Children's Museum. She suggested that the Zoo look at coming in with a program grant request tailored to areas of interest to those foundations, such as "Families and Communities."

A major foundation president indicated high respect for Kathryn Roberts, but indicated that his foundation was strongly supporting Como Zoo. However, this individual seemed very interested in assisting the Zoo in an effort to "rebuild" itself.

We interviewed two corporate executives with a distinctly business perspective on the Zoo. One indicated that his company's very major sponsorship of a campaign project was a one-time gift. It would be "outside the charter of our company" to make another such gift, or to make any annual operating support grants. This individual said he had a "bias towards privatization," but the Zoo "would have to score well on the potential to raise private funds."

He lamented the fact that, "the Zoo doesn't have high enough visibility" compared to other major Twin Cities cultural organizations. "We need to make the Zoo an integral part of people's lives." "Right now, the Zoo does not have a constituency." He questioned whether the Twin Cities can even have a great zoo, given our weather, small population base and modest tourism. "We need to balance the desire for greatness with the realities of what people will use and pay for." He felt that the Zoo needed to improve its infrastructure, improve marketability, lower operating costs, increase profitability.

Another corporate executive, who felt that the Zoo needs to, "Bring in a turnaround leader, and spin off the assets that don't fit," provided a similar business perspective. "I don't go to the Zoo. I'm bored stiff. The zookeepers are the only ones who can actually

see the animals." He stated that the Zoo's conservation mission sometimes caused it to make decisions about animals to exhibit that run contrary to what the public wants to see and will pay for. "Where are the polar bears, elephants, giraffes? Everybody goes to Como Zoo, because it is free and you can actually see the animals." This individual felt the Zoo should focus on being a top-notch entertainment destination, and that it should eliminate the education and conservation aspect of its mission.

On the whole, the individual community leaders interviewed did not seem to feel a particular sense of urgency about the case for supporting the Minnesota Zoo. This seemed to stem more from a lack of awareness than from any negative perceptions. The Zoo just hadn't made it on these individuals' radar screens.

Conclusions

These interviews seem to lay to rest the question of whether or not the Zoo's status as a state agency was or is a disincentive to private giving. With the exception of one corporate foundation leader, the answer was no. (We asked the corporate foundation leader who said State support did affect her corporation's giving level if, in going private, the Zoo could make up in increased private support the \$7 million now provided by the State. She indicated that the Zoo could, "Raise a lot more, over time," but not the full \$7 million.)

Those individuals who were aware of the State's support of the Zoo, and those who were not, indicated that the existence and magnitude of public support did not or would not have any bearing on their current or prospective support. Furthermore, despite highly publicized criticism of the Zoo for attendance shortfalls, and criticism from the legislature for mismanagement, every one of the individuals we interviewed had universally high regard for the Zoo's staff leadership.

However, there was great caution expressed about the prospect for significantly increasing unrestricted operating support, for several reasons:

- **Youth:** Unlike older, more established Twin Cities cultural organizations, the Minnesota Zoo did not get in on the ground floor when corporate foundations began making significant, ongoing gifts for annual operating support. Now there seems to be no more room for another major cultural organization to receive such high levels of unrestricted support. (For example, one major corporate foundation gives annual unrestricted support grants of \$100,000 to KTCA, \$50,000 to \$100,000 to the Science Museum, \$50,000 to the Children's Museum and \$4,000 to the Zoo.)
- **Focus:** Today there is more emphasis in private and corporate foundations on project support, tailored to donors' strategic business focus or marketing goals.
- **Geography:** In corporations, limited financial resources are now being spread more widely beyond corporate headquarters.

- **Fit:** The Zoo is unique. It does not fit neatly into a giving category like arts and culture or education. When money is tight, foundations do not look to fund organizations in the gray areas, no matter how worthy their leadership or programs.
- **Competition:** There are more nonprofits chasing fewer dollars. One funder referred to the "attack" on private philanthropy by what have historically been public institutions, like libraries and schools.

Looking back, it is possible that the Zoo's perception of itself as a state agency may have created a mentality and culture that made it difficult for it to behave as if it deserved or knew how to position itself to receive private support. Today, that challenge has become even more difficult.

Looking ahead, the bleak prognosis for increasing unrestricted gifts espoused by philanthropic leaders should not be cause for despair, nor should it be seen as an indictment of the Zoo's mission. The marketplace is what it is. The Zoo must craft a private fund raising strategy that responds to the changes in the local philanthropic landscape. The Zoo is in the process of a search for a new President. This is a tremendous opportunity. With the right leader and a reinvigorated board, the Zoo could embark on an awareness-building and fund raising campaign to reinvent its value to the community.

As part of this campaign the Zoo would also have to reinvent its relationship to its major donor, the State of Minnesota. It is odd indeed that the state's private donors think so highly of the Zoo yet give it a relatively modest amount of financial support, while the State is highly critical of the Zoo's management yet continues to appropriate a significant amount of tax dollars. This dynamic needs to change.

The caution that community leaders express with regard to funding for the Zoo stems in part from the realities of the current philanthropic environment, and in part from a leadership vacuum at the Zoo. People don't get behind institutions, they get behind leaders. With the right leader, and a very strong board, the challenges of the funding environment can be addressed and overcome. Think of the Guthrie before Joe Dowling, the University of Minnesota before Mark Yudof, the Minneapolis Institute of Arts before Evan Maurer. Today we take the strength of these institutions for granted, but before these individuals arrived on the scene, their organizations were in a much weaker position than they are today. The Minnesota Zoo has the same potential to reinvent its value to the community as these organizations.

If leadership is the key factor holding the Zoo back from progress and securing the private dollars necessary to fuel that progress, and if the current governance structure makes it difficult or impossible to attract a top caliber leader, then a change in the governance structure needs to be seriously considered.

A first-rate leader would supply the vision that could, over time, attract significantly higher private support for the Zoo. A seasoned leader could instill improved accountability, credibility and trust between the Zoo and the State. However, these potential benefits need to be weighed against a significant risk: If the Zoo were to become privately managed and governed, which could weaken the already fragile sense of ownership by the State Legislature, then privatization would do lasting harm to the Zoo's financial stability, by rendering State support even less predictable than it is today.

Quotes – Philanthropy Study

The best thing the State did was challenge us to raise \$5 million towards construction of the new History Center.

Mark Haidet, Director of Development, MN State Historical Society

The Zoo is an astute organization, marked by excellence in purpose, programs, people and physical spaces.

National consultant hired by a major local foundation to review the Zoo's campaign request

The Zoo is a first-class institution.

Senior program officer, local foundation

Even though the Zoo has a good case, it's just harder to get unrestricted operating support now.

Senior program officer, corporate foundation

We're not looking for ways to take on new annual operating support grants. We already have our regular recipients.

Contributions Manager, corporate foundation

The Zoo's state support is not an issue for us. We wouldn't change how and what we give.

Director, corporate foundation

I urge the Zoo to develop the simplest governance structure possible. Simplify. If it takes energy away from running the Zoo, don't do it.

Director, corporate foundation

The State can't be a very good partner if there is that much deferred maintenance to take care of.

Community leader

Not many people know very much about the Zoo. When I got them there, they were very impressed.

Community leader, campaign volunteer

The Zoo should emphasize its educational mission. This will lead to more charitable donations.

Community leader

The community needs to see evidence of a confident, long-term growth and value strategy that encourages people to believe it's a good investment.

Community leader

*Since my kids have grown, I don't go to the Zoo or the Children's Theater anymore.
When I have grandchildren, I'll get back to these things.*

Community leader

Key Variable: Private Contributions

Scenario	Assumptions	Cost	Likelihood of Fund Raising Success
Adequate Zoo under current governance	<ul style="list-style-type: none"> • Increase private support for operations from \$1.5M to \$2.25M by 2005. • Invest \$43M in capital infrastructure and exhibits by 2010. • Access to State bonding \$\$. • New strategic, master and business plans. 	<ul style="list-style-type: none"> • Add one development position: \$60,000 • Planning: \$125,000 (one-time) 	Medium. This would be a relatively low-risk, medium-return scenario.
Optimal Zoo under current governance	<ul style="list-style-type: none"> • Increase private support for operations from \$1.5M to \$3M by 2005. • Invest \$200M in capital infrastructure, exhibits and endowment by 2010. • Access to State bonding \$\$. • New strategic, master and business plans. 	<ul style="list-style-type: none"> • Add 3 development positions: \$210,000 • Planning: \$125,000 (one-time) 	Medium. medium risk, high return. If the legislature removes the Zoo President's salary cap, the Zoo could attract a leader with vision and experience to attract significant private and public support.
Adequate Zoo under private governance	<ul style="list-style-type: none"> • Increase private support for operations from \$1.5M to \$3M by 2005. • Invest \$43M in capital infrastructure and exhibits by 2005 • Access to State bonding \$\$: UNCERTAIN • New strategic, master and business plans 	<ul style="list-style-type: none"> • Add one development position: \$75,000 • Planning: \$125,000 (one-time) 	Medium. Medium risk, medium return, influenced by hiring a top-level Zoo President and management staff at market rates. Assumes access to state bonding \$\$, which would require special legislation.
Optimal Zoo under private governance	<ul style="list-style-type: none"> • Increase private support for operations from \$1.5M to \$4M by 2005. • Invest \$200M in capital infrastructure, exhibits and endowment by 2010. • Access to state bonding \$\$: UNCERTAIN • New strategic, master and business plans 	<ul style="list-style-type: none"> • Add 3 development positions: \$260,000 • Planning: \$125,000 (one-time) 	High. High risk, high return. This is a leadership-driven scenario. Money follows ideas. Assumes hiring a top level Zoo President and management, and access to state bonding \$\$, which would require special legislation.

Current governance means: 2 boards, state employees, cap on President's salary; private governance means: 1 board, non-state but unionized employees, no salary cap.

HOW WOULD ZOO EMPLOYEES BE AFFECTED?

The ultimate impact on Zoo employees would be the result of several factors:

1. Things which are inevitable due to the change to a nonprofit
2. Things which, through legislative action, could minimize the effects
3. Things that are in the control of the employees themselves

Other zoos that have privatized have tried different approaches. In some cases, all employees were laid off and then most hired back by the new nonprofit entity. In other cases, all employees were "grandfathered" under existing terms and conditions of employment and newly hired employees came under a new wage and benefit package. It is not possible to predict with certainty the impact that conversion to nonprofit management would have on Minnesota Zoo employees. Based on interviews with Zoo union officials and representatives of relevant state agencies, however, a likely scenario emerges.

1. Zoo employees would no longer be employees of the state. If they stayed on the Zoo staff, they would become employees of the new nonprofit that is managing and operating the Zoo.
2. Many current employees would continue to work for the Zoo but some would transfer to other state agencies. The Zoo has a seasoned workforce with relatively high seniority in the state system and this allows employees to transfer to other open positions in the state service. This option is highly desirable for an employee with only a few remaining years of service but who wants qualify for state retirement benefits. Many jobs at the Zoo, however, are unique to state service, and these employees may find it difficult to move to a more typical state agency.
3. Zoo employees are likely to be unionized under the new nonprofit entity. Currently, nearly all Zoo employees are unionized and those interviewed for this study indicated strong interest in continued representation. The largest number of Zoo employees is represented by AFSCME, Council 6, which would want to continue representing employees under private nonprofit management. Similarly, the other current Zoo employee unions, MAPE and MMA have a strong interest in seeing continued union representation, though they recognize that all employees would be up for grabs by any union that would want to represent the new workforce. None of the current contracts contain successor clauses guaranteeing the union's continued right to represent the employees under new management. Thus, in order to create a new union or unions, one of two things would need to occur: (1) the legislature could provide succession by naming one or more unions, or (2) there would need to be an open election. Many people interviewed for this study suggested that Zoo employees would ultimately have only one or perhaps two unions representing them. Current unions potentially could represent Zoo employees even if they were no longer state employees; however, the bargaining unit would be totally separate from current state employee unions. Also, any one of a number of private sector unions may have an interest in representing zoo employees if the Zoo is privately managed.

4. Although a review of each job classification was well beyond the scope of this study, it is likely that some salaries would go up and some may go down over time. Individuals who were interviewed for this study suggested that professional salaries may increase while some unskilled positions would go closer to minimum wage. It is highly likely that the President's salary would increase significantly, to be more in line with other zoo directors around the country and the directors of other, comparable Minnesota organizations operated as nonprofits.
5. Employee benefits would change significantly but the impact could be reduced through legislative action. Currently, Zoo employees receive benefits equivalent to about 30 percent of their salaries. This includes retirement benefits, various insurance packages and pay for days off. Across the nonprofit sector, the average cost of benefits is equal to roughly 28 to 30 percent of an organization's payroll. Thus, if the Zoo becomes managed by a nonprofit and the workforce is unionized, the employer costs of the benefit package will be roughly equivalent. The potential differences lie in the kind of benefits the employees receive through the collective bargaining process and any actions the legislature may take to minimize the change:

Days Off	May have fewer days off, depending on outcome of negotiations
Health Plan	Can remain in state health plan if provided by the legislature Otherwise, there will be fewer choices, less coverage and higher costs because employee pool will be much smaller
Retirement	Employees no longer eligible to contribute to state plan and receive state contribution Employees may leave existing funds in the plan or take funds out of the state plan but lose the state's previous contributions State plan is better for longer term employees; private plans tend to better for shorter term employees New nonprofit likely to make an employer contribution but would need to be renegotiated
Other Insurance	Would need to be renegotiated and repurchased

In conversations with union representatives, it became clear that the strong preference of many Zoo employees is to remain under state employment and continue to work for the Zoo. Many employees are in their 50's and will be concerned about the financial loss of retirement benefits if they leave state service. (It should be noted that one option for the legislature to consider is to compensate these employees in a one-time lump sum payment, similar to that provided to University of Minnesota hospital employees when the hospital was sold to the Fairview System.) Given a choice, many Zoo employees would want to continue working for the Zoo. Employee turnover has traditionally been very low, in part because employees share a passion for the mission. As one employee

said, "This is very different from other state agencies. We are not the Department of Revenue."

If the Zoo became a nonprofit organization, the new management would have a high interest in retaining current employees with specialized skills. Some positions are unique in the region and replacing these employees would pose a challenge. In addition, there is a great deal of institutional memory regarding the animals and an aging physical facility that would be lost with major employee turnover.

It is important and relevant for this study to point out that employees consistently characterized employee morale as low. Some said the absence of a strong leader and a long range plan has been stressful. During the last legislative session, 42 employees received lay off notices, but were ultimately retained when deficiency funds were appropriated. In recent lean financial times, employees who leave have not been replaced. The workforce has been essentially flat for the past six years, despite the opening of a major new exhibition. Union representatives characterized the situation as "wearisome and discouraging."

HOW WOULD STATE OWNERSHIP BE AFFECTED?

The legislature specifically requested that this assessment include an explanation of the effect on State ownership and any ongoing costs to the State. As zoos have privatized in other communities, the public entity typically has retained ownership of the land and all property. The new nonprofit governing board is responsible for day to day management and oversight. In virtually all cases, the public entity has continued to provide substantial support in terms of both annual operating subsidies as well as funding for capital improvements.

If the Minnesota Zoo became a nonprofit organization, the State could continue to provide operating support and bonding authority for capital improvements. The exact amount of that support is difficult to predict as it is a function of how well the Zoo presents its case and the degree to which future legislatures will honor those requests. It is doubtful that the State of Minnesota would want to relinquish its ownership of a valuable state asset. Also, if the State turned over the ownership of the property to a nonprofit organization, Dakota County's long-term deed of the land to the State would be called into question.

WHAT IS THE ZOO'S POTENTIAL AS A LOCAL GOVERNMENT ENTITY?

Approximately 40 percent of the zoos and aquariums in the United States are managed by governmental agencies and the vast majority of these are run by city governments (60%), counties (15%) and special districts (12%). Examples of local government zoos within Minnesota include the Como Zoo in St. Paul and the Duluth Zoo. Thus, the question of whether the Minnesota Zoo should come under the jurisdiction of a local entity is not an unreasonable one. Typically, however, zoos are created as local government entities from the start, rather than becoming a local zoo after the fact.

The local entity governance possibilities that immediately come to mind for the Minnesota Zoo include the City of Apple Valley, Dakota County and the Metropolitan Council. In addition, there is the possibility of a new special taxing district, which could be created by the legislature for the sole purpose of governing the Minnesota Zoo.

In examining the question of whether the Minnesota Zoo could or should become a local entity, we conducted in-depth interviews with officials of the City of Apple Valley, Dakota County and the Metropolitan Council in addition to various Zoo staff.

The typical benefits of a zoo operated by a local entity include the following:

- Dedicated source of tax revenue
- Local "ownership" and source of community pride
- Access to a range of services provided by the local entity, e.g. utilities, snow removal, finance and accounting services, etc.

City of Apple Valley

The Minnesota Zoo has benefited from its relationship with Apple Valley in a number of ways. In the early days, when the Zoo was first established, the City of Apple Valley provided a range of services, such as security, water, sewer, and snow removal. A representative of the City served on the Zoo's governing board up until the late 1980's. City officials were instrumental in establishing the Zoo's Environmental Education School and paid for its buildings. The school is operated by the Apple Valley school district.

In turn, the City has benefited from the Zoo's location in Apple Valley. The City's letterhead proudly positions the City as "The Home of the Minnesota Zoo." City officials believe the Zoo is responsible for generating significant tourism. In addition, the Zoo has become a valuable resource for Apple Valley residents as a recreational and educational amenity. In recent years, the City has held its annual community celebration at the Zoo.

The answer to the question of whether the Minnesota Zoo should become a city zoo is a resounding "no." Apple Valley's annual operating budget is approximately \$12 million and the city's infrastructure is in no position to take on the management of a complex \$17 million operation. Whether the Zoo and the City could mutually benefit from a closer

partnership is a different question. Past and present city officials were enthusiastic about ways in which the City could be involved in promoting the Zoo, working together to generate more tourism and connecting its residents with the Zoo through events. A stronger partnership between the Zoo and the City may lead to additional opportunities in the future. For example, ultimately the newly formed Apple Valley Foundation could become a source of programming support for the Zoo to the mutual benefit of the Zoo and city residents.

Dakota County

Similarly, Dakota County played a significant early role in the Zoo by providing the State with a long term deed to the land at no cost. A county representative served on the Zoo governing board until the late 1980's when the Zoo board was restructured.

Current Dakota County officials characterized the relationship with the Zoo as "a history of missed opportunities." In the past 10 years, the relationship has been "minimal," characterized by occasional interactions one might expect with any adjacent neighbor. The county held its employee recognition event at the Zoo, maintains Highway 38 as part of its road system, and has contributed resources to the Environmental Education Center.

Although the Zoo property generates no property taxes for Dakota County, the county benefits in other ways. Dakota County residents appear to be heavy users of the Zoo, accounting for 22% of Zoo visitors in the May and August, 1998 visitor surveys. Clearly, the Zoo provides Dakota County residents with a significant recreational and educational amenity.

The answer to the question of whether the Minnesota Zoo should become a county zoo is "probably no." The Zoo may be simply too much for the county to take on, financially and managerially. If the Zoo were part of the county, it would represent more than 10% of the county's \$160 million annual operating budget and provide a management challenge unlike any other facet of county business. From a financial standpoint, if the State were looking for a local entity to replace the State's share of the Zoo's operating budget, Dakota County is probably not a good candidate. If the county were to absorb the \$7 million annual state appropriation, it would result in a 7.7% increase in the county tax levy, which would not be acceptable to county residents based on conversations with Dakota county officials.

Could the Zoo and the county forge a partnership for mutual benefit? County officials were eager to point out a long list of possibilities. As one of the fastest growing counties in the United States, Dakota County will face increasing pressure to provide trails, parks and other recreational amenities. The Zoo has considerable open space and its own system of trails. In a partnership, the county and Zoo may be eligible for grants to jointly develop parks and trails. The county recently created a camp ground near the zoo; future camping facilities might be provided jointly by the Zoo and county. Ultimately, if the metro area's light rail system is extended past the Mall of America, the Zoo's parking lots could provide Park and Ride capacity during non-peak months. The county could

provide a source of workers for the Zoo through its Sentence to Service and welfare to work programs. These and other possibilities are not part of the discussion today because there is virtually no contact between the county and the Zoo.

The Metropolitan Council

The Metropolitan Council does have a large enough tax base to carry the Zoo's annual operating budget. If the Council operated the Zoo, the Zoo would represent less than 3% of its \$600 million operating budget and replacement of the State's \$7 million annual appropriation would increase the Council's tax levy very nominally.

The questions regarding the Metropolitan Council option are two-fold:

- (1) Should the 7-county metro area bear the public portion of the Zoo's budget?
- (2) Would the Council do a better job of running the Zoo?

While the metro area's tax base would provide an attractive, growing source of dedicated revenue to support the zoo, a review of the Zoo's visitors would argue against this option. Residents of the 7-county metro area account for a little over 60% of the zoo's visitors and approximately 60% of the state's tax revenues come from the metropolitan area. Thus, it appears that state funding is a much more appropriate source of public funds based on who currently uses and benefits from the Zoo. On that basis, a dedicated tax imposed on metro-area residents may be politically unpalatable to metro area residents.

Another question is whether the Metropolitan Council could provide superior management for the Zoo. Currently, the Council is credited with doing a good job of operating a number of systems such as sewers, parks, and transit. The Council, however, has no experience in managing attractions such as the Zoo and would be on a steep learning curve, at least in the short term.

Again, the concept of partnership and collaboration seems more advisable. There is little or no relationship between the Zoo and the Metropolitan Council today. It is conceivable that discussions would lead to mutually beneficial opportunities. Several possibilities could be explored: The Metropolitan Parks and Open Space program could provide a mechanism for parks development at the Zoo. (Currently, the Zoo is not eligible for funding, except perhaps in partnership with Dakota County.) The MTC might provide dedicated transportation to the zoo in the summer. Perhaps the Council could waive fees for water treatment.

Conclusion

None of the local entity concepts explored in this study seem advisable as a source of dedicated tax revenues and/or management and oversight responsibilities. On the other hand, these discussions provide clear evidence that the Zoo could benefit from forging a closer relationship with its neighbors.

MINNESOTA ZOOLOGICAL GARDEN

FINANCIAL ANALYSIS
NOVEMBER 29, 1999

PROJECT OBJECTIVES & CONCLUSIONS

Project Objectives

In an effort to assist the Minnesota Zoo assess whether a change in governance structure is a desirable strategic option, four scenarios were explored.

Scenario 1: Improve the Zoo to an adequate level under current governance

Scenario 2: Improve the Zoo to an optimal level under current governance

Scenario 3: Improve the Zoo to an adequate level under a private, non-profit governance

Scenario 4: Improve the Zoo to an optimal level under a private, non-profit governance

The following report discusses the economic analysis for these scenarios, as well as, the assumptions associated with these scenarios. Projections were made for a 16-year period (from fiscal year 2000 until fiscal year 2015).

An "as is" scenario that would assume no significant capital expenditures or other changes was not developed since it would present a downward spiral for the Zoo that would be unacceptable to both the Zoo and the State.

Conclusions

All scenarios project negative incremental cash flows in the long term.

In order to assess the effect that various events might have on the results, a sensitivity analysis was performed on the following key variables:

- Attendance levels
- The forgiveness of long term debt
- Charge of an attendance fee to K-6 school children

Because attendance levels can cause dramatic fluctuations in the results, raising attendance projections beyond the annual growth rates previously assumed seemed too risky based on past zoo experience. As shown on pages 55 and 56, forgiveness of the Zoo's long term debt has a significant positive impact on the Zoo's financial position. The combination of debt forgiveness and a small fee for K-6 school children improves all scenarios even further.

It is very important to note that the results of these scenarios are subject to material change as events and circumstances frequently do not occur as expected.

TABLE OF CONTENTS

ASSUMPTIONS.....	48
<i>CAPITAL REQUIREMENTS.....</i>	<i>48</i>
<i>ATTENDANCE.....</i>	<i>49</i>
<i>ADMISSION FEES.....</i>	<i>49</i>
<i>OTHER ASSUMPTIONS.....</i>	<i>50</i>
<i>CHANGE OF GOVERNANCE ASSUMPTIONS.....</i>	<i>50</i>
<i>SALES TAX ASSUMPTIONS.....</i>	<i>51</i>
RESULTS.....	52
<i>SCENARIO 1: IMPROVE THE ZOO TO AN ADEQUATE LEVEL UNDER CURRENT GOVERNANCE.....</i>	<i>52</i>
<i>SCENARIO 2: IMPROVE THE ZOO TO AN OPTIMAL LEVEL UNDER CURRENT GOVERNANCE.....</i>	<i>52</i>
<i>SCENARIO 3: IMPROVE THE ZOO TO AN ADEQUATE LEVEL UNDER A PRIVATE, NON-PROFIT GOVERNANCE.....</i>	<i>53</i>
<i>SCENARIO 4: IMPROVE THE ZOO TO AN OPTIMAL LEVEL UNDER A PRIVATE, NON-PROFIT GOVERNANCE.....</i>	<i>53</i>
SENSITIVITY ANALYSIS.....	54
<i>FORGIVENESS OF DEBT ANALYSIS.....</i>	<i>55</i>
<i>FORGIVENESS OF DEBT & K-6 SCHOOL CHILDREN ENTRANCE FEE ANALYSIS.....</i>	<i>57</i>

ASSUMPTIONS

All assumptions were developed based on discussions with the Minnesota Zoo acting Director-Connie Brazier and Vice President of Finance-Jim Reinholdz, as well as, consultants Ann Bitter and Diane Herman.

Capital Requirements

In order for the Zoo to rise to an adequate level, current facilities need to improve with projects such as building roadways/pathways and improving water management. At the same time new exhibits must open to attract visitors. A capital investment of approximately \$43 million is estimated between 2000 and 2010.

In order for the Zoo to rise to an optimal level the investment level required is estimated at approximately \$200 million. The increase is due to three additional projects (Hospital, Africa and Polar exhibits).

Funding for these capital projects is assumed to come from a combination of State and private contributions. It is assumed that the State's portion will be funded through general obligation bonds, and that the Zoo will not incur any debt service.

For a detailed description of the capital projects to be undertaken under each scenario refer to the Appendix A.

Operating Costs

The expansion under Scenarios 1 and 2 is expected to result in an increase in operating expenses. Under Scenario 1, operating expenses due to the expansion are expected to increase to a range between \$500,000 to \$600,000 annually and for Scenario 2 the range is \$500,000 to \$1,500,000 annually during the 16 year projected period (expressed in present value terms).

These expenses are assumed to increase by 3% a year due to inflation. In addition, after the exhibits have been operating for five years, an additional 2% increase in these expenses is assumed due to more maintenance requirements resulting from the aging of the exhibits.

For a detailed analysis of the increase in operating expenses resulting from this expansion refer to Appendix B.

Attendance

The actual attendance for fiscal year 1999 was as follows. The admission rates that will be in effect at April 1, 2000 are also illustrated in the table.

	FY 99	Mix	Rate as of 4/1/00
Adults	249,728	21%	\$10.00
Youth	95,765	8%	\$5.00
Senior citizen	18,586	2%	\$7.00
Group adults	155,373	13%	\$8.00
Group youth	73,910	6%	\$4.00
Members	273,745	23%	\$0.00
Free	306,133	26%	\$0.00
	<u>1,173,240</u>	<u>100%</u>	

It is assumed that the mix of attendees remains the same during the projected period.

Annual percentage increase in attendance assumptions under Scenarios 1 and 2 are as follows:

- **Scenario 1**
An annual percentage increase in attendance of 3% is assumed for all years
- **Scenario 2**
An annual percentage increase in attendance of 3% is assumed for all years except for fiscal years 2009 and 2010 when a percentage increase of 7% and 8% respectively is assumed, due to the opening of the Africa and Polar exhibits.
- This long-term annual increase of 3% is consistent with the average annual increase in attendance of the Zoo in the past, according to Zoo management.

For greater detail refer to Appendix C.

Admission Fees

Admission fees are assumed to increase by 6% every two years, beginning with the rates effective on April 1, 2000 as a baseline. This is consistent with past practice at the Zoo. Under Scenario 2, however, a 20% increase in the admission fee is assumed to take place in fiscal year 2009 due to the opening of the African exhibit. This exhibit is anticipated to cost approximately \$100 million to construct and to cause a substantial increase in operating expenses as Appendix B illustrates. The increase in fee is necessary to cover much of the additional operating costs that are expected to arise.

For greater detail refer to Appendix C.

Other Assumptions

- Earned revenue is assumed to increase in proportion to the increase in attendance since it is highly correlated to attendance levels.

For greater detail refer to Appendix D.

- Private contributions (from all sources-individuals, foundations and corporations) under Scenario 1 are assumed to increase by \$750,000 between fiscal year 2001 and fiscal year 2005. This will be achieved by hiring an additional development employee on January 1, 2001. Private contributions under Scenario 2 are assumed to increase by \$1,500,000 between fiscal year 2001 and fiscal year 2005 and three development employees are expected to be hired on January 1, 2001 to drive this growth.

The annual salary for each development personnel is assumed to be \$60,000 per year and for each clerical personnel \$30,000 (plus benefits of 30% per year, in line with existing benefit levels). Salaries are also assumed to increase by 3% per year.

In all other years private contributions are assumed to increase by 7% per year. This seems attainable since the Zoo has experienced an average annual increase in contributions of 30% for the period 1993 through 1999.

For greater detail refer to Appendix D.

- A discount rate of 6% is assumed

Change of Governance Assumptions

The assumptions mentioned above are applicable for Scenarios 3 and 4 also, however, some additional assumptions follow which are specific to these two scenarios since they assume a change in governance to a private, non-profit organization.

- Private contributions (from all sources-individuals, foundations and corporations) under Scenario 3 are assumed to increase by \$1,500,000 between fiscal year 2001 and fiscal year 2005. This will be achieved by hiring an additional development employee on January 1, 2001. Private contributions under Scenario 4 are assumed to increase by \$2,500,000 between fiscal year 2001 and fiscal year 2005 and three development employees are expected to be hired on January 1, 2001 to drive this growth.

The annual salary for each development personnel is assumed to be \$75,000 per year and for each clerical personnel \$35,000 (plus benefits of 30% per year, in line with existing benefit levels). Salaries are also assumed to increase by 3% per year.

In all other years private contributions are assumed to increase by 7% per year. This seems attainable since the Zoo has experienced an average annual increase in contributions of 30% for the period 1993 through 1999.

For greater detail refer to Appendix E.

- Operating expenses will increase by \$50,000 which would bring the director's salary at a level comparable to market (Appendix E)
- Purchased services include services from the State such as legal, accounting, human resource, insurance, purchasing and contract management services. These services are either charged to the Zoo through an administration fee or provided at no charge. Zoo management estimates that fees paid to the state in fiscal year 1999 for rendering these services were \$242,000.

If the Zoo becomes a private, non-profit organization it must provide these services by hiring additional personnel or by outsourcing them to a third party, which will result in the following additional costs:

- Insurance costs will increase by \$170,000 (Appendix E)
- Legal services will increase by \$28,000 (Appendix E)
- Labor relations and contract negotiations will increase by \$100,000 (Appendix E)
- Hiring of an accounting supervisor and an information systems manager (Appendix F and G)
- Payroll is assumed to be outsourced at \$8,700 per year (Appendix G)
- Software and hardware are assumed to be purchased at \$600,000 and will be amortized over 3 years (Appendix G)
- Annual software maintenance is assumed to be \$30,000 a year (Appendix G)

Sales Tax Assumptions

As a private, non-profit organization, the Zoo would not be liable for state sales tax currently paid on admissions (estimated at \$266,409 for FY 1999), and material purchases (estimated at \$200,000 for FY 1999).

The effect of this change would be a decrease in the tax revenues collected by the State of Minnesota. It is likely that the legislature would reduce its appropriation to the Zoo by a comparable amount. Therefore, the financial analysis in this report assumes a zero net effect of this sales tax change.

RESULTS

The cost/benefit analysis of each scenario based on the aforementioned assumptions is presented below. Refer also to Appendices H through K.

Scenario 1: Improve the Zoo to an adequate level under current governance

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	234,357	255,871	263,547	287,741	296,373	323,580	333,287
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	350,715	361,236	372,073	383,235	394,732	406,574	418,772
Private contributions	104,479	150,000	150,000	150,000	150,000	150,000	164,293	175,793	188,099	201,265	215,354	230,429	246,539	263,818	282,285	302,045
Total incremental cash inflows	864,318	573,397	595,156	608,510	632,450	646,923	687,576	714,775	756,129	786,337	832,461	866,849	917,538	954,923	1,012,439	1,054,104
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	477,653	605,428	632,129	661,443	692,281	724,593	760,823	798,864	838,807	880,747	924,785	971,024
Supplies	51,600	53,148	63,542	66,249	68,236	86,490	90,304	94,492	98,897	103,513	108,689	114,123	119,830	125,821	132,112	138,718
Utilities	25,800	26,574	31,771	33,124	34,118	43,245	45,152	47,246	49,449	51,757	54,344	57,062	59,915	62,911	66,056	69,359
Other	77,400	79,722	95,314	99,373	102,354	129,735	135,456	141,738	148,346	155,270	163,033	171,185	179,744	188,732	198,168	208,077
Development personnel		78,000	80,340	82,750	85,233	87,790	90,423	93,136	95,930	98,808	101,772	104,825	107,970	111,209	114,546	117,982
Planning	125,000															
Total incremental cash outflows	641,008	609,480	715,764	748,237	767,594	952,688	993,464	1,038,855	1,084,983	1,133,941	1,188,662	1,246,060	1,306,266	1,369,420	1,435,467	1,505,159
Net incremental cash flow	223,310	(36,083)	(120,608)	(136,727)	(135,145)	(305,764)	(305,888)	(323,220)	(328,773)	(347,604)	(356,201)	(380,811)	(318,731)	(414,497)	(423,227)	(461,055)
Present value of net incremental cash flow	(2,238,740)															
Salvage value	(2,939,271)															
Net present value	(5,198,011)															

Scenario 2: Improve the Zoo to an optimal level under current governance

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	656,199	802,438	344,487	354,821	387,394	399,016	435,645
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	818,334	1,000,706	405,286	417,444	429,968	442,867	456,153
Private contributions	104,479	300,000	300,000	300,000	300,000	300,000	216,793	231,968	248,206	265,580	284,171	304,063	325,347	348,121	372,490	398,564
Total incremental cash inflows	864,318	723,397	745,156	758,510	782,450	796,923	740,076	770,948	816,336	1,748,114	2,087,315	1,053,835	1,097,613	1,165,483	1,214,372	1,298,362
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	562,213	692,525	721,838	753,844	787,454	1,524,875	1,937,392	2,012,828	2,091,394	2,173,226	2,274,232	2,387,943
Supplies	51,600	53,148	63,542	66,249	80,316	98,932	103,120	107,692	112,493	217,839	276,770	287,547	298,771	310,461	324,890	341,135
Utilities	25,800	26,574	31,771	33,124	40,158	49,466	51,560	53,846	56,247	108,920	138,385	143,773	149,385	155,230	162,445	170,567
Other	77,400	79,722	95,314	99,373	120,474	148,298	154,680	161,538	168,740	326,759	415,155	431,320	448,156	465,691	487,335	511,702
Development personnel		273,000	281,190	289,626	298,314	307,264	316,482	325,976	335,756	345,828	356,203	366,889	377,896	389,233	400,910	412,937
Planning	125,000															
Total incremental cash outflows	641,008	804,480	916,614	952,113	1,101,476	1,236,586	1,347,579	1,402,856	1,468,689	2,524,221	3,123,985	3,242,358	3,365,601	3,493,841	3,649,812	3,824,324
Net incremental cash flow	223,310	(81,083)	(171,459)	(193,603)	(319,026)	(439,663)	(607,503)	(631,946)	(644,463)	(776,107)	(1,036,670)	(1,188,523)	(1,267,768)	(1,328,358)	(1,435,440)	(1,536,962)
Present value of net incremental cash flow	(8,109,850)															
Salvage value	(16,624,484)															
Net present value	(24,734,334)															

Scenario 3: Improve the Zoo to an adequate level under a private, non-profit governance

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	234,357	235,871	263,547	287,741	296,373	323,580	333,287
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	350,715	361,236	372,073	383,235	394,732	406,574	418,772
Private contributions	104,479	300,000	300,000	300,000	300,000	300,000	216,793	231,968	248,206	265,580	284,171	304,063	325,347	348,121	372,490	398,564
Purchased services	233,300	245,400	258,105	271,445	285,453	300,160	315,603	331,818	348,844	366,721	385,492	405,202	425,897	447,627	470,443	494,401
Total incremental cash inflows	1,097,618	968,797	1,043,261	1,029,956	1,067,902	1,097,023	1,065,679	1,102,768	1,169,881	1,217,373	1,216,778	1,344,886	1,422,228	1,486,384	1,573,688	1,648,074
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	477,653	605,428	632,129	661,443	692,381	724,593	760,823	798,864	838,807	880,747	924,785	971,024
Supplies	51,600	53,148	63,542	66,249	68,236	86,490	90,304	94,492	98,897	103,513	108,689	114,123	119,830	125,821	132,112	138,718
Utilities	25,800	26,574	31,771	33,124	34,118	43,245	45,152	47,246	49,449	51,757	54,244	57,062	59,915	62,911	66,056	69,359
Other	77,400	79,722	95,314	99,373	102,354	129,735	135,456	141,738	148,346	155,270	163,033	171,185	179,744	188,732	198,168	208,077
Development personnel		97,500	100,425	103,438	106,541	109,737	113,029	116,420	119,913	123,510	127,215	131,032	134,963	139,012	143,182	147,477
Planning	125,000															
Director's salary	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810	87,355	89,975	92,674	95,455	98,318	101,268
Purchased expenses:																
Insurance costs	170,000	175,100	180,353	185,764	191,336	197,077	202,989	209,079	215,351	221,811	228,466	235,320	242,379	249,651	257,140	264,854
Legal services	28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353	43,623
Labor relations/contract negotiations	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392	138,423	142,576	146,853	151,259	155,797
Salaries & benefits	176,766	185,604	194,884	204,628	214,860	225,603	236,883	248,727	261,163	274,221	287,932	302,329	317,446	333,318	349,984	367,483
Other operating expenses	230,000	230,000	230,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
One time transition charge																
Total incremental cash outflows	1,418,766	1,418,474	1,548,548	1,397,213	1,447,322	1,651,864	1,716,394	1,786,510	1,859,886	2,136,497	2,219,879	2,387,072	2,198,258	2,293,618	2,393,387	2,497,689
Net incremental cash flow	(321,147)	(449,676)	(505,286)	(367,257)	(379,420)	(554,841)	(650,715)	(683,742)	(694,105)	(919,124)	(933,109)	(942,187)	(776,030)	(806,764)	(820,269)	(849,615)
Present value of net incremental cash flow	(6,272,610)															
Salvage value	(5,594,082)															
Net present value	(11,866,692)															

Scenario 4: Improve the Zoo to an optimal level under a private, non-profit governance

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	656,199	802,438	344,487	354,821	387,394	399,016	435,645
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	818,354	1,000,706	405,286	417,444	429,968	442,867	456,153
Private contributions	104,479	300,000	300,000	300,000	300,000	300,000	286,793	306,868	328,249	351,333	375,926	402,241	430,398	460,526	492,763	527,256
Purchased services	233,300	245,400	258,105	271,445	285,453	300,160	315,603	331,818	348,844	366,721	385,492	405,202	425,897	447,627	470,443	494,401
Total incremental cash inflows	1,097,618	1,168,797	1,293,261	1,229,956	1,267,902	1,297,023	1,225,679	1,177,668	1,246,224	2,192,588	2,564,863	1,587,216	1,628,561	1,725,818	1,888,889	1,913,485
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	477,653	692,525	721,838	753,844	787,454	1,524,875	1,937,392	2,012,828	2,091,394	2,173,226	2,274,232	2,387,943
Supplies	51,600	53,148	63,542	66,249	68,236	80,316	88,932	103,120	107,692	112,493	217,839	276,770	287,547	298,771	310,461	324,890
Utilities	25,800	26,574	31,771	33,124	34,118	40,158	49,466	51,560	53,846	56,247	108,920	138,385	143,773	149,385	155,230	162,445
Other	77,400	79,722	95,314	99,373	102,354	148,398	154,680	161,338	168,740	176,759	415,155	431,320	448,156	465,691	483,335	511,702
Development personnel		338,000	348,140	358,584	369,242	380,422	391,835	403,590	415,697	428,168	441,013	454,244	467,871	481,907	496,364	511,255
Planning	125,000															
Director's salary	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810	87,355	89,975	92,674	95,455	98,318	101,268
Purchased expenses:																
Insurance costs	170,000	175,100	180,353	185,764	191,336	197,077	202,989	209,079	215,351	221,811	228,466	235,320	242,379	249,651	257,140	264,854
Legal services	28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353	43,623
Labor relations/contract negotiations	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392	138,423	142,576	146,853	151,259	155,797
Salaries & benefits	176,766	185,604	194,884	204,628	214,860	225,603	236,883	248,727	261,163	274,221	287,932	302,329	317,446	333,318	349,984	367,483
Other operating expenses	230,000	230,000	230,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
One time transition charge																
Total incremental cash outflows	1,418,766	1,658,974	1,793,856	1,692,359	1,825,923	2,046,163	2,123,356	2,286,681	2,391,632	3,584,415	4,214,498	4,364,619	4,328,573	4,482,911	4,674,328	4,888,628
Net incremental cash flow	(321,147)	(490,176)	(500,595)	(462,403)	(558,021)	(749,888)	(897,677)	(1,108,913)	(1,145,408)	(1,391,827)	(1,649,930)	(1,777,403)	(1,699,012)	(1,757,093)	(1,885,312)	(1,975,143)
Present value of net incremental cash flow	(12,325,235)															
Salvage value	(19,499,746)															
Net present value	(31,824,981)															

SENSITIVITY ANALYSIS

Initially, all scenarios were unprofitable based on the assumptions outlined previously.

We then conducted a sensitivity analysis of the effect of the following factors:

- Attendance levels
- The forgiveness of debt
- Charge of an attendance fee to K-6 school children

The following shows the effect that these factors have on the net present values calculated under each scenario. The table also shows the average annual growth in attendance required to approximate a break-even point under each scenario.

	Current net present value	Break Even attendance growth levels		Attendance growth levels			Forgiveness of debt service (Note 1)	Forgiveness of debt service & change in attendance from 3% to 4.1%	K-6 school children attendance fee (Note 2)	Forgiveness of debt service & K-6 school children attendance fee
		Annual avg. growth	Net present value	Change 3% to 4.1%	Change 3% to 5.0%	Change 3% to 5.5%				
Scenario 1	(\$5,198,011)	4.090%	\$215	\$52,702	\$5,172,700	\$8,381,511	\$4,997,213	\$10,247,926	(\$952,728)	\$9,242,496
Scenario 2	(\$24,734,334)	6.970%	\$10,207	(\$19,221,610)	(\$13,949,224)	(\$10,689,044)	(\$14,539,110)	(\$9,026,386)	(\$20,489,051)	(\$10,293,827)
Scenario 3	(\$11,867,692)	5.240%	\$8,840	(\$6,616,979)	(\$1,496,981)	\$1,711,830	(\$1,672,468)	\$3,578,245	(\$7,622,409)	\$2,572,815
Scenario 4	(\$31,824,981)	7.695%	\$7,952	(\$26,312,258)	(\$21,039,871)	(\$17,779,691)	(\$21,629,757)	(\$16,117,033)	(\$27,579,698)	(\$17,384,474)

Note 1: Detailed debt service schedules for the Marine Education Center (MEC) and the roof repair were provided by zoo management. Since the debt service amount stops in FY16 and is only \$79,950 in FY16, the last year's cash flow (FY15) was adjusted by deleting the debt service forgiveness for purposes of terminal value calculation.

Note 2: Assuming 90,000 K-6 school children on average a year at \$3/child. The fee is assumed to remain constant throughout the projected period and begin in FY 01.

It is very important to note that attendance level is a key variable in these projections and any fluctuations in the attendance level can cause significant fluctuations in the results. For this reason, we do not raise attendance levels beyond the annual growth rates previously assumed.

The following tables show in greater detail the results of each scenario under:

- The assumption that the debt is forgiven
- The assumption that the debt is forgiven and that an entrance fee is charged to K-6 school children

The tables show that by forgiving the debt and imposing a modest program fee for K-6 school children, scenarios 1, 2 and 3 are positive for the first 10 years. Scenario 4 is positive through the first 8 years.

Forgiveness of debt analysis:

Scenario 1: Improve the Zoo to an adequate level under current governance – Forgiveness of debt

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	234,357	255,871	263,547	287,741	296,373	323,580	333,287
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	350,715	361,236	372,073	383,235	394,732	406,574	418,772
Private contributions	104,479	150,000	150,000	150,000	150,000	150,000	164,293	175,793	188,099	201,265	215,354	230,429	246,559	263,818	282,285	302,045
Forgiveness of debt	1,237,589	1,202,299	1,168,152	1,140,028	1,102,720	1,062,421	1,024,474	989,443	954,403	918,557	882,309	845,604	788,257	751,346	699,223	615,340
Total incremental cash inflows	2,101,907	1,775,697	1,763,307	1,748,539	1,735,170	1,709,344	1,712,050	1,704,218	1,710,532	1,704,894	1,714,770	1,711,653	1,705,792	1,706,269	1,711,663	1,649,444
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	477,653	605,428	632,129	661,443	692,281	724,593	760,823	798,864	838,807	880,747	924,785	971,024
Supplies	51,600	53,148	63,542	66,249	68,236	86,490	90,304	94,492	98,897	103,513	108,689	114,123	119,830	125,821	132,112	138,718
Utilities	25,800	26,574	31,771	33,124	34,118	43,245	45,152	47,246	49,449	51,757	54,344	57,062	59,915	62,911	66,056	69,259
Other	77,400	79,722	95,314	99,373	102,354	129,735	135,456	141,738	148,346	155,270	163,033	171,185	179,744	188,732	198,168	208,077
Development personnel		78,000	80,340	82,750	85,223	87,790	90,423	93,136	95,930	98,808	101,772	104,825	107,970	111,209	114,546	117,982
Planning	125,000															
Total incremental cash outflows	641,800	689,488	715,764	746,237	767,594	952,688	993,464	1,038,858	1,084,983	1,133,941	1,188,662	1,246,068	1,306,266	1,369,420	1,435,667	1,508,159
Net incremental cash flow	1,460,907	1,166,217	1,047,543	1,002,301	967,576	756,656	718,586	666,163	625,629	570,953	526,108	465,594	399,525	336,849	275,996	164,284
Present value of net incremental cash flow	7,956,484															
Salvage value	(2,959,271)															
Net present value	4,997,213															

Scenario 2: Improve the Zoo to an optimal level under current governance – Forgiveness of debt

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	656,199	802,438	344,487	354,821	387,394	399,016	435,645
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	818,334	1,000,706	405,286	417,444	429,968	442,867	456,153
Private contributions	104,479	300,000	300,000	300,000	300,000	300,000	216,793	231,968	248,206	265,580	284,171	304,063	325,347	348,121	372,490	398,564
Forgiveness of debt	1,237,589	1,202,299	1,168,152	1,140,028	1,102,720	1,062,421	1,024,474	989,443	954,403	918,557	882,309	845,604	788,257	751,346	699,223	615,340
Total incremental cash inflows	2,101,907	1,925,697	1,913,307	1,898,539	1,885,170	1,859,344	1,764,550	1,760,393	1,778,639	2,658,671	2,369,624	1,899,448	1,885,870	1,916,829	1,913,596	1,985,782
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	562,213	692,525	721,838	753,844	787,454	1,524,875	1,937,392	2,012,828	2,091,394	2,173,226	2,274,232	2,387,943
Supplies	51,600	53,148	63,542	66,249	80,316	98,932	103,120	107,692	112,493	217,839	276,770	287,547	298,771	310,461	324,890	341,135
Utilities	25,800	26,574	31,771	33,124	40,158	49,466	51,560	53,846	56,247	108,920	138,385	143,773	149,385	155,230	162,445	170,567
Other	77,400	79,722	95,314	99,373	120,474	148,398	154,680	161,538	168,740	326,759	415,155	431,320	448,156	465,691	487,335	511,702
Development personnel		273,000	281,190	289,626	298,314	307,264	316,482	325,976	335,756	345,828	356,203	366,889	377,896	389,233	400,910	412,937
Planning	125,000															
Total incremental cash outflows	641,800	804,488	916,614	952,113	1,101,476	1,296,586	1,347,679	1,402,896	1,468,689	2,524,221	3,123,985	3,247,358	3,365,681	3,493,841	3,640,812	3,824,234
Net incremental cash flow	1,460,907	1,121,217	996,693	946,426	783,694	562,758	416,871	357,496	309,950	134,450	(154,281)	(1,342,915)	(1,479,732)	(1,577,012)	(1,736,216)	(1,918,553)
Present value of net incremental cash flow	2,085,374															
Salvage value	(16,624,484)															
Net present value	(14,539,110)															

Scenario 3: Improve the Zoo to an adequate level under a private, non-profit governance – Forgiveness of debt

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	234,357	255,871	263,547	287,741	296,373	323,580	333,287
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	350,715	361,236	372,073	383,235	394,732	406,574	418,772
Private contributions	104,479	300,000	300,000	300,000	300,000	300,000	216,793	231,968	248,206	265,580	284,171	304,063	325,347	348,121	372,490	398,564
Purchased services	233,300	245,400	258,105	271,445	285,453	300,160	315,603	331,818	348,844	366,721	385,492	405,202	425,897	447,627	470,443	494,401
Forgiveness of debt	1,237,589	1,202,299	1,168,152	1,140,028	1,102,720	1,062,421	1,024,474	989,443	954,403	918,557	882,309	845,604	788,257	751,346	699,223	615,340
Total incremental cash inflows	2,338,207	2,171,897	2,171,412	2,169,984	2,178,623	2,159,584	2,080,153	2,092,211	2,119,483	2,136,930	2,169,879	2,190,489	2,210,477	2,230,208	2,272,311	2,260,363
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	477,653	605,428	632,129	661,443	692,281	724,593	760,823	798,864	838,807	880,747	924,785	971,024
Supplies	51,600	53,148	63,542	66,249	68,236	86,490	90,304	94,492	98,897	103,513	108,689	114,123	119,830	125,821	132,112	138,718
Utilities	25,800	26,574	31,771	33,124	34,118	43,245	45,152	47,246	49,449	51,757	54,344	57,062	59,915	62,911	66,056	69,359
Other	77,400	79,722	95,314	99,373	102,354	129,735	135,456	141,738	148,346	155,270	163,033	171,185	179,744	188,732	198,168	208,077
Development personnel		97,500	100,425	103,438	106,541	109,737	113,029	116,420	119,913	123,510	127,215	131,032	134,963	139,012	143,182	147,477
Planning	125,000															
Director's salary	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810	87,355	89,975	92,674	95,455	98,318	101,268
Purchased expenses:																
Insurance costs	170,000	175,100	180,353	185,764	191,336	197,077	202,989	209,079	215,351	221,811	228,466	235,320	242,379	249,651	257,140	264,854
Legal services	28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353	43,623
Labor relations/contract negotiations	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392	138,423	142,576	146,853	151,259	155,797
Salaries & benefits	176,766	185,604	194,884	204,628	214,860	225,603	236,883	248,727	261,163	274,221	287,932	302,329	317,446	333,318	349,984	367,483
Other operating expenses	230,000	230,000	230,000	30,000	30,000	30,000	30,000	30,000	30,000	230,000	230,000	230,000	30,000	30,000	30,000	30,000
Total incremental cash outflows	1,418,766	1,418,474	1,546,846	1,397,213	1,442,322	1,651,954	1,716,394	1,786,518	1,859,886	1,936,497	2,019,879	2,107,072	2,198,255	2,293,618	2,393,357	2,497,688
Net incremental cash flow	924,441	753,423	624,566	772,771	736,301	507,630	363,759	306,701	259,597	(567)	(50,880)	(116,583)	12,222	(55,418)	(121,046)	(237,317)
Present value of net incremental cash flow	3,921,614															
Salvage value	(5,394,082)															
Net present value	(1,672,468)															

Scenario 4: Improve the Zoo to an optimal level under a private, non-profit governance – Forgiveness of debt

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	234,357	255,871	263,547	287,741	296,373	323,580	333,287
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	350,715	361,236	372,073	383,235	394,732	406,574	418,772
Private contributions	104,479	300,000	300,000	300,000	300,000	300,000	286,793	306,868	328,349	351,333	375,926	402,241	430,398	460,126	492,763	527,256
Purchased services	233,300	245,400	258,105	271,445	285,453	300,160	315,603	331,818	348,844	366,721	385,492	405,202	425,897	447,627	470,443	494,401
Forgiveness of debt	1,237,589	1,202,299	1,168,152	1,140,028	1,102,720	1,062,421	1,024,474	989,443	954,403	918,557	882,309	845,604	788,257	751,346	699,223	615,340
Total incremental cash inflows	2,338,207	2,171,897	2,171,412	2,169,984	2,178,623	2,159,584	2,158,153	2,167,111	2,199,626	2,111,146	2,146,872	2,082,828	2,016,818	1,946,161	1,864,312	1,768,795
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	477,653	692,525	721,838	753,844	787,454	1,524,875	1,937,392	2,012,828	2,091,394	2,173,226	2,274,232	2,387,943
Supplies	51,600	53,148	63,542	66,249	68,236	80,316	98,932	103,120	107,692	112,493	117,839	123,770	129,771	136,441	143,890	151,135
Utilities	25,800	26,574	31,771	33,124	34,118	49,466	51,560	53,846	56,247	108,920	138,385	143,773	149,283	155,230	162,445	170,567
Other	77,400	79,722	95,314	99,373	120,474	148,398	154,680	161,538	168,740	328,739	415,155	431,320	448,156	465,691	487,335	511,702
Development personnel		338,000	348,140	358,384	369,342	380,422	391,835	403,590	415,697	428,168	441,013	454,244	467,871	481,907	496,384	511,255
Planning	125,000															
Director's salary	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810	87,355	89,975	92,674	95,455	98,318	101,268
Purchased expenses:																
Insurance costs	170,000	175,100	180,353	185,764	191,336	197,077	202,989	209,079	215,351	221,811	228,466	235,320	242,379	249,651	257,140	264,854
Legal services	28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353	43,623
Labor relations/contract negotiations	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392	138,423	142,576	146,853	151,259	155,797
Salaries & benefits	176,766	185,604	194,884	204,628	214,860	225,603	236,883	248,727	261,163	274,221	287,932	302,329	317,446	333,318	349,984	367,483
Other operating expenses	230,000	230,000	230,000	30,000	30,000	30,000	30,000	30,000	30,000	230,000	230,000	230,000	30,000	30,000	30,000	30,000
Total incremental cash outflows	1,418,766	1,658,974	1,793,585	1,692,359	1,825,923	2,046,163	2,123,386	2,285,681	2,291,632	2,584,415	4,214,498	4,364,519	4,328,573	4,482,911	4,674,328	4,885,628
Net incremental cash flow	924,441	712,123	577,857	717,624	544,700	313,341	26,797	(38,570)	(92,006)	(473,270)	(767,618)	(1,361,691)	(1,393,755)	(2,086,850)	(2,178,088)	(2,356,833)
Present value of net incremental cash flow	(2,130,011)															
Salvage value	(19,499,746)															
Net present value	(21,629,757)															

Forgiveness of debt & K-6 school children entrance fee analysis:

Scenario 1: Improve the Zoo to an adequate level under current governance – Forgiveness of debt & K-6 school children attendance fee

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	234,357	255,871	263,547	287,741	296,373	323,580	333,287
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	350,715	361,236	372,073	383,235	394,732	406,574	418,772
Private contributions	104,479	150,000	150,000	150,000	150,000	150,000	164,293	175,793	188,099	201,265	215,354	230,429	246,539	263,818	282,285	302,045
Forgiveness of debt	1,237,589	1,202,299	1,168,152	1,140,028	1,102,720	1,062,421	1,024,474	989,443	954,403	918,557	882,309	845,604	788,257	751,346	699,223	615,340
K-6 school children attendance fee	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000
Total incremental cash inflows	2,101,907	2,046,697	2,033,307	2,018,539	2,005,178	1,979,344	1,982,058	1,974,218	1,980,532	1,974,894	1,984,770	1,981,653	1,975,792	1,976,269	1,981,663	1,939,444
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	477,653	605,428	632,129	661,443	692,281	724,593	760,823	798,864	838,807	880,747	924,785	971,024
Supplies	51,600	53,148	63,542	66,249	68,236	86,490	90,304	94,492	98,897	103,513	108,689	114,123	119,830	125,821	132,112	138,718
Utilities	25,800	26,574	31,771	33,124	34,118	43,245	45,152	47,246	49,449	51,757	54,344	57,062	59,915	62,911	66,056	69,359
Other	77,400	79,722	95,314	99,373	102,354	129,735	135,456	141,738	148,346	155,270	163,033	171,185	179,744	188,732	198,168	208,077
Development personnel		78,000	80,340	82,750	85,233	87,790	90,423	93,136	95,930	98,808	101,772	104,825	107,970	111,209	114,546	117,982
Planning	125,000															
Total incremental cash outflows	641,008	609,488	715,764	746,237	767,594	952,688	993,464	1,038,855	1,084,903	1,133,941	1,188,662	1,246,060	1,306,266	1,369,420	1,435,667	1,505,159
Net incremental cash flow	1,460,897	1,436,217	1,317,543	1,272,301	1,237,576	1,026,656	988,586	936,163	895,629	840,953	796,108	735,594	669,525	606,849	546,996	434,284
Present value of net incremental cash flow	10,430,359															
Salvage value	(1,187,862)															
Net present value	9,242,496															

Scenario 2: Improve the Zoo to an optimal level under current governance – Forgiveness of debt & K-6 school children attendance fee

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	656,199	802,438	344,487	354,821	387,394	399,016	435,645
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	818,334	1,000,706	405,286	417,444	429,968	442,867	456,153
Private contributions	104,479	300,000	300,000	300,000	300,000	300,000	216,793	231,968	248,206	265,580	284,171	304,063	325,347	348,121	372,490	398,564
Forgiveness of debt	1,237,589	1,202,299	1,168,152	1,140,028	1,102,720	1,062,421	1,024,474	989,443	954,403	918,557	882,309	845,604	788,257	751,346	699,223	615,340
K-6 school children attendance fee	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000
Total incremental cash inflows	2,101,907	2,195,697	2,183,307	2,168,539	2,155,170	2,129,344	2,034,558	2,030,393	2,040,639	2,928,671	3,239,624	2,169,448	2,155,870	2,186,829	2,183,896	2,175,702
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	562,213	692,525	721,838	753,844	787,454	1,524,875	1,937,392	2,012,828	2,091,394	2,173,226	2,274,232	2,387,943
Supplies	51,600	53,148	63,542	66,249	80,316	98,932	103,120	107,692	112,493	217,839	276,770	287,547	298,771	310,461	324,890	341,135
Utilities	25,800	26,574	31,771	33,124	40,158	49,466	51,560	53,846	56,247	108,920	138,385	143,773	149,385	155,230	162,445	170,567
Other	77,400	79,722	95,314	99,373	120,474	148,398	154,680	161,538	168,740	326,759	415,155	431,320	448,156	465,691	487,335	511,702
Development personnel		273,000	281,190	289,626	298,314	307,264	316,482	325,976	335,756	345,828	356,203	366,889	377,896	389,223	400,910	412,937
Planning	125,000															
Total incremental cash outflows	641,008	804,688	916,614	952,113	1,101,476	1,236,586	1,347,679	1,402,896	1,460,689	2,524,221	3,123,985	3,242,358	3,165,681	3,493,841	3,649,812	3,824,284
Net incremental cash flow	1,460,897	1,391,217	1,266,693	1,216,426	1,053,694	892,758	686,871	627,496	579,950	404,450	115,719	(1,072,919)	(1,289,732)	(1,307,012)	(1,466,216)	(1,648,582)
Present value of net incremental cash flow	4,559,249															
Salvage value	(14,833,076)															
Net present value	(10,273,827)															

Scenario 3: Improve the Zoo to an adequate level under a private, non-profit governance – Forgiveness of debt & K-6 school children attendance fee

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	234,357	255,871	263,547	287,741	296,373	323,580	333,287
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	350,715	361,236	372,073	383,235	394,732	406,574	418,772
Private contributions	104,479	300,000	300,000	300,000	300,000	300,000	216,793	231,968	248,206	265,580	284,171	304,063	325,347	348,121	372,490	398,564
Purchased services	233,300	245,400	258,105	271,445	285,453	300,160	315,603	331,818	348,844	366,721	385,492	405,202	425,897	447,627	470,443	494,401
Forgiveness of debt	1,237,589	1,202,299	1,168,152	1,140,028	1,102,720	1,062,421	1,024,474	989,443	954,403	918,557	882,309	845,604	788,257	751,346	699,223	615,340
K-6 school children attendance fee		270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000
Total incremental cash inflows	2,335,287	2,441,097	2,441,412	2,439,984	2,448,623	2,429,584	2,358,153	2,362,211	2,389,483	2,485,930	2,439,879	2,440,489	2,488,477	2,588,208	2,542,311	2,538,363
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	477,653	605,428	632,129	661,443	692,281	724,593	760,823	798,864	838,807	880,747	924,785	971,024
Supplies	51,600	53,148	63,542	66,249	68,236	86,490	90,304	94,492	98,897	103,513	108,689	114,123	119,830	125,821	132,112	138,718
Utilities	25,800	26,574	31,771	33,124	34,118	43,245	45,152	47,246	49,449	51,757	54,344	57,062	59,915	62,911	66,056	69,359
Other	77,400	79,722	95,314	99,373	102,354	129,735	135,456	141,758	148,346	155,270	163,033	171,185	179,744	188,732	198,168	208,077
Development personnel		97,500	100,425	103,438	106,541	109,737	113,029	116,420	119,913	123,510	127,215	131,032	134,963	139,012	143,182	147,477
Planning	125,000															
Director's salary	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810	87,355	89,975	92,674	95,455	98,318	101,268
Purchased expenses:																
Insurance costs	170,000	175,100	180,353	185,764	191,336	197,077	202,989	209,079	215,351	221,811	228,466	235,320	242,379	249,651	257,140	264,854
Legal services	28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353	43,623
Labor relations/contract negotiations	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392	138,423	142,576	146,853	151,259	155,797
Salaries & benefits	176,766	185,604	194,884	204,628	214,860	225,603	236,883	248,727	261,163	274,221	287,932	302,329	317,446	333,318	349,984	367,483
Other operating expenses	230,000	230,000	230,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	230,000	230,000	30,000	30,000	30,000	30,000
Total incremental cash outflows	1,418,766	1,418,474	1,546,340	1,397,213	1,442,322	1,661,864	1,716,394	1,786,510	1,859,886	1,936,497	2,019,879	2,107,872	2,198,255	2,293,618	2,393,357	2,497,688
Net incremental cash flow	924,441	1,022,623	895,072	1,042,771	998,301	778,468	633,760	578,701	529,597	269,433	219,208	153,417	282,222	214,582	148,954	32,683
Present value of net incremental cash flow	6,395,489															
Salvage value	(3,822,674)															
Net present value	2,572,815															

Scenario 4: Improve the Zoo to an optimal level under a private, non-profit governance – Forgiveness of debt & K-6 school children attendance fee

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	234,357	255,871	263,547	287,741	296,373	323,580	333,287
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	350,715	361,236	372,073	383,235	394,732	406,574	418,772
Private contributions	104,479	300,000	300,000	300,000	300,000	300,000	286,793	306,868	328,349	351,333	375,926	402,241	430,398	460,526	492,763	527,256
Purchased services	233,300	245,400	258,105	271,445	285,453	300,160	315,603	331,818	348,844	366,721	385,492	405,202	425,897	447,627	470,443	494,401
Forgiveness of debt	1,237,589	1,202,299	1,168,152	1,140,028	1,102,720	1,062,421	1,024,474	989,443	954,403	918,557	882,309	845,604	788,257	751,346	699,223	615,340
K-6 school children attendance fee		270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000
Total incremental cash inflows	2,335,287	2,641,097	2,641,412	2,639,984	2,648,623	2,629,584	2,428,153	2,437,111	2,469,626	3,381,146	3,716,872	2,672,820	2,686,818	2,746,861	2,774,312	2,798,795
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	562,213	692,525	721,838	753,844	787,454	1,524,875	1,937,392	2,012,828	2,091,394	2,173,226	2,274,232	2,387,943
Supplies	51,600	53,148	63,542	66,249	80,316	98,932	103,120	107,692	112,493	217,839	276,770	287,547	298,771	310,461	324,890	341,135
Utilities	25,800	26,574	31,771	33,124	40,158	49,466	51,560	53,846	56,247	108,920	138,285	143,773	149,385	155,230	162,445	170,567
Other	77,400	79,722	95,314	99,373	120,474	148,398	154,680	161,538	168,740	326,759	415,155	431,320	448,156	465,691	487,335	511,702
Development personnel		338,000	348,140	358,584	369,342	380,422	391,835	403,590	415,697	428,168	441,013	454,244	467,871	481,907	496,364	511,255
Planning	125,000															
Director's salary	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810	87,355	89,975	92,674	95,455	98,318	101,268
Purchased expenses:																
Insurance costs	170,000	175,100	180,353	185,764	191,336	197,077	202,989	209,079	215,351	221,811	228,466	235,320	242,379	249,651	257,140	264,854
Legal services	28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353	43,623
Labor relations/contract negotiations	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392	138,423	142,576	146,853	151,259	155,797
Salaries & benefits	176,766	185,604	194,884	204,628	214,860	225,603	236,883	248,727	261,163	274,221	287,932	302,329	317,446	333,318	349,984	367,483
Other operating expenses	230,000	230,000	230,000	30,000	30,000	30,000	30,000	30,000	30,000	230,000	230,000	230,000	30,000	30,000	30,000	30,000
Total incremental cash outflows	1,418,766	1,658,974	1,793,556	1,652,359	1,825,923	2,046,163	2,123,356	2,295,681	2,291,632	3,584,415	4,214,498	4,364,519	4,328,573	4,482,911	4,674,328	4,885,628
Net incremental cash flow	924,441	982,123	847,857	987,624	814,708	583,341	296,797	231,438	177,994	(203,270)	(497,618)	(1,691,698)	(1,633,755)	(1,736,050)	(1,900,008)	(2,086,833)
Present value of net incremental cash flow	343,864															
Salvage value	(17,728,338)															
Net present value	(17,384,474)															

Minnesota Zoological Garden
Capital Requirements Assumptions

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	Maintenance	Scenario 1	Scenario 2
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	Adequate	Great
Heating line/chiller replacement	1,100,000											1,100,000	1,100,000	1,100,000
Roadways/pathways	4,000,000		5,000,000		6,000,000							15,000,000	15,000,000	15,000,000
Wells Fargo family farm	4,300,000												4,300,000	4,300,000
Sun bear renovation	80,000												80,000	80,000
Tree kangaroo	38,000												38,000	38,000
Bird weathering	10,000											10,000	10,000	10,000
Old dolphin pool testing		30,000											30,000	30,000
Tropics softening		20,000											20,000	20,000
Carousel		800,000											800,000	800,000
Minnesota trail plan and construction		30,000			5,000,000	5,000,000							10,030,000	10,030,000
Coral reef		50,000											50,000	50,000
Barred owl		5,000											5,000	5,000
Wolverine		50,000											50,000	50,000
Caribou		40,000											40,000	40,000
Red panda exhibit		50,000											50,000	50,000
Grey fox		5,000											5,000	5,000
Woodpecker		5,000											5,000	5,000
Education bldg/Zoolab expansion			2,250,000	2,250,000									4,500,000	4,500,000
Bird holding			1,000,000									1,000,000	1,000,000	1,000,000
Infrastructure/maintenance			1,000,000				1,000,000				1,000,000	3,000,000	2,000,000	3,000,000
Orangutan			2,200,000										2,200,000	2,200,000
Lorikeet			200,000										200,000	200,000
Amur leopard			50,000										50,000	50,000
Water monitor			5,000										5,000	5,000
Pronghorn/Saiga			50,000										50,000	50,000
Walking stick/frog			5,000										5,000	5,000
Mixed herp			5,000										5,000	5,000
Red panda lodge change			50,000										50,000	50,000
Swans				50,000								50,000	50,000	50,000
Greenhouse				400,000									400,000	400,000
Hospital plan and construction			40,000		6,000,000									6,040,000
Africa plan and construction				50,000			25,000,000	25,000,000	25,000,000	25,000,000				100,050,000
Polar plan and construction				40,000						25,000,000	25,000,000			50,040,000
Water management					1,000,000							1,000,000	1,000,000	1,000,000
	9,528,000	1,085,000	11,855,000	2,790,000	18,000,000	5,000,000	26,000,000	25,000,000	25,000,000	50,000,000	26,000,000	21,160,000	43,128,000	200,258,000

Note 1: Assume the exhibits open in the year in which the last capital expenditure is expended

Note 2: Assume that financing for these projects is generated primarily from the State and also through private sources

Minnesota Zoological Garden
Assumptions - Capital Requirements' Effect on Operating Expenses

Major projects:	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	Scenario 1 Adequate	Scenario 2 Great
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Wells Fargo family farm	516,000	531,480	547,424	563,847	580,763	609,801	640,291	672,305	705,921	741,217	778,277	817,191	858,051	900,953	946,001	993,301	Yes	Yes
Minnesota trail						150,450	154,964	159,612	164,401	169,333	177,799	186,689	195,024	205,825	216,116	226,922	Yes	Yes
Orangutan			88,000	90,640	93,359	96,160	99,045	103,997	109,197	114,657	120,390	126,409	132,729	139,366	146,334	153,651	Yes	Yes
Greenhouse				8,000	8,240	8,487	8,742	9,004	9,454	9,927	10,423	10,945	11,492	12,066	12,670	13,303	Yes	Yes
Hospital					120,800	124,424	128,157	132,001	135,961	142,760	149,898	157,392	165,262	173,525	182,201	191,311		Yes
Africa										1,000,600	1,030,515	1,061,430	1,093,273	1,126,072	1,162,375	1,241,494		Yes
Polar										500,400	515,412	530,874	548,801	563,205	591,365		Yes	
Total increase in operating expenses	516,000	531,480	635,424	662,487	803,162	989,322	1,031,198	1,076,920	1,124,934	2,178,393	2,767,702	2,876,469	2,987,706	3,104,608	3,248,902	3,411,347		
Scenario 1 expenses	516,000	531,480	635,424	662,487	682,362	864,898	903,041	944,919	988,972	1,035,133	1,086,890	1,141,234	1,198,296	1,258,211	1,321,121	1,387,177		
Present value of Scenario 1 expenses	486,792	473,015	533,515	524,752	509,900	609,719	600,574	592,854	585,371	578,013	572,560	567,158	561,808	556,508	551,258	546,057		
Present value of Scenario 2 expenses	486,792	473,015	533,515	524,752	600,169	697,433	685,805	675,673	665,847	1,216,403	1,457,991	1,429,020	1,400,753	1,373,171	1,355,653	1,342,864		

Notes:

Note 1:

Project	As a % of total investment (Note 2)	Allocation			
		Salaries & benefits	Supplies	Utilities	Other
		70%	10%	5%	15%
Wells Fargo family farm	12.0%				
Minnesota trail	1.5%				
Orangutan	4.0%				
Greenhouse	2.0%				
Hospital	2.0%				
Africa	1.0%				
Polar	1.0%				

Note 2: Assume that these percentages are in effect for the first 5 years from the opening of the exhibits since these figures assume minor maintenance. Thereafter, assume an additional increase for maintenance of 2%

Note 3: Assume an annual increase due to inflation of 3% for all expenses

Minnesota Zoological Garden
Scenario 1 & 2
Attendance Assumptions

Scenario 1:	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	Attendance as a % of Metro population (Note 1)
Attendance	1,173,240	66,760	37,200	38,316	39,465	40,649	41,869	43,125	44,419	45,751	47,124	48,538	49,994	51,493	53,038	54,629	56,268	64%
Attendance annual increase		6%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Wells Fargo family farm		Opens																
Carousel			Opens															
Minnesota trail								Opens										
Education bldg/Zoolab expansion																		
Orangutan																		
Lorikeet				Opens														
Greenhouse				Opens														
Admission fee:																		
Mix																		
Adults	21%	\$10.00	\$10.00	\$10.60	\$10.60	\$11.24	\$11.24	\$11.91	\$11.91	\$12.62	\$12.62	\$13.38	\$13.38	\$14.19	\$14.19	\$15.04	\$15.04	
Youth	8%	\$5.00	\$5.00	\$5.30	\$5.30	\$5.62	\$5.62	\$5.96	\$5.96	\$6.31	\$6.31	\$6.69	\$6.69	\$7.09	\$7.09	\$7.52	\$7.52	
Senior citizen	2%	\$7.00	\$7.00	\$7.42	\$7.42	\$7.87	\$7.87	\$8.34	\$8.34	\$8.84	\$8.84	\$9.37	\$9.37	\$9.93	\$9.93	\$10.53	\$10.53	
Group adults	13%	\$8.00	\$8.00	\$8.48	\$8.48	\$8.99	\$8.99	\$9.53	\$9.53	\$10.10	\$10.10	\$10.71	\$10.71	\$11.35	\$11.35	\$12.03	\$12.03	
Group youth	6%	\$4.00	\$4.00	\$4.24	\$4.24	\$4.49	\$4.49	\$4.76	\$4.76	\$5.05	\$5.05	\$5.35	\$5.35	\$5.67	\$5.67	\$6.01	\$6.01	
Members	24%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Free	28%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	100%																	

Assume an increase of 6% every 2 years in the admission fee

Scenario 2:	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	
Attendance	1,173,240	66,760	37,200	38,316	39,465	40,649	41,869	43,125	44,419	45,751	109,958	134,460	54,458	56,090	57,773	59,508	61,291	70%
Attendance annual increase		6%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	7.00%	8.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Wells Fargo family farm		Opens																
Carousel			Opens															
Minnesota trail																		
Education bldg/Zoolab expansion																		
Orangutan																		
Lorikeet				Opens														
Greenhouse				Opens														
Hospital																		
Africa											Opens							
Polar												Opens						
Admission fee:																		
Mix																		
Adults	21%	\$10.00	\$10.00	\$10.60	\$10.60	\$11.24	\$11.24	\$11.91	\$11.91	\$12.62	\$15.15	\$15.15	\$16.08	\$16.06	\$17.02	\$17.02	\$18.04	
Youth	8%	\$5.00	\$5.00	\$5.30	\$5.30	\$5.62	\$5.62	\$5.96	\$5.96	\$6.31	\$7.57	\$7.57	\$8.03	\$8.03	\$8.51	\$8.51	\$9.02	
Senior citizen	2%	\$7.00	\$7.00	\$7.42	\$7.42	\$7.87	\$7.87	\$8.34	\$8.34	\$8.84	\$10.60	\$10.60	\$11.24	\$11.24	\$11.92	\$11.92	\$12.63	
Group adults	13%	\$8.00	\$8.00	\$8.48	\$8.48	\$8.99	\$8.99	\$9.53	\$9.53	\$10.10	\$12.12	\$12.12	\$12.85	\$12.85	\$13.62	\$13.62	\$14.43	
Group youth	6%	\$4.00	\$4.00	\$4.24	\$4.24	\$4.49	\$4.49	\$4.78	\$4.78	\$5.05	\$8.08	\$8.08	\$8.42	\$8.42	\$8.81	\$8.81	\$9.22	
Members	24%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Free	28%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	100%																	

Assume an increase of 6% every 2 years in the admission fee
in FY 09 assume a 20% increase

Note 1:

According to the MET Council the following is the projected growth in the Twin Cities Metro area:

2000 2,608,999
2010 2,900,000
2020 3,100,000

Annual compounded growth is therefore assumed at:

2000 to 2010 1.80%
2010 to 2020 0.70%

So by FY15 the Metro population is assumed to be 3,002,931

Dakota County population increases by 30% between 2000 and 2020.

Minnesota Zoological Garden
Scenario 1 & 2
Other Assumptions

Other earned revenue:

Highly related to attendance, therefore, will follow the percent increase in attendance
 In FY 99 earned income was \$8,731,726

Private contributions:

The goal is to increase private contributions (from individuals, corporations and foundations) by FY 05
 Contributed income in FY 99 was \$1,492,557.

	Amount of increase by FY 05 *	Development Personnel **	Clerical Personnel **
Scenario 1:	\$750,000	1	0
Scenario 2:	\$1,500,000	3	1

* Assume equally allocated each year beginning in FY 01

Assume an increase of 7% for all other years

Contributions have increased on average 30% per year from 1993-1999 and by 174% in total during this period

** Assume an annual salary of \$60,000 per development employee
 and an annual salary of \$30,000 per clerical employee
 and a hire date of 01-Jan-01

Assume benefits are 30% per year

Assume annual increase of 3% per year

Other Expenses:

Assume strategic planning cost \$125,000

One time charge in FY 00 for all scenarios

Minnesota Zoological Garden
 Scenario 3 & 4
 Change of Governance Assumptions - Revenues and Expenses
 PRIVATE NONPROFIT ORGANIZATION

Revenues:

- 1 Contributed income:
 The goal is to increase private contributions (from individuals, corporations and foundations) by FY 05
 Contributed income in FY 99 was \$1,492,557

	Amount of increase by FY 05 *	Development Personnel **	Clerical Personnel **
Scenario 3:	\$1,500,000	1	0
Scenario 4:	\$2,500,000	3	1

* Assume equally allocated each year beginning in FY 01
 Assume an increase of 7% for all other years
 Contributions have increased on average 30% per year from 1993-1999 and by 174% in total during this period

** Assume an annual salary of \$75,000 per development employee
 and an annual salary of \$35,000 per clerical employee
 and a hire date of 01-Jan-01
 Assume benefits are 30% per year
 Assume annual increase of 3% per year

- 2 Assume no other changes to revenues

Operating Expenses:

- 1 Salaries:
 Directors' salary (increase by:) \$50,000
 Assume benefits are 30% per year
 Assume annual increase of 3% per year

Other employees:
 Fundraising/development (see contributed income above)
 Administrative (see benchmarking attachment)

- 2 Purchased expenses:
 Insurance costs (increase by:) \$170,000
 Legal services (increase by:) \$28,000
 Labor relations/contract negotiations \$100,000

Assume annual increase of 3% per year

- 3 Assume no other change in operating expenses

Minnesota Zoological Garden
Scenario 3 & 4
Change of Governance Assumptions - Benchmarking of Administrative Personnel
PRIVATE NONPROFIT ORGANIZATION

Position	Survey Source	Position Match	Position Modifier	Salary Market Reference	Incentive Market Reference	Total Compensa tion Market Reference
Accountant-General				\$47,934	\$3,984	\$53,524
	Employers' Association	Accountant general-Senior	Minneapolis/St.Paul metro, all companies	41,964		
			Minneapolis/St.Paul metro, companies with 101 to 500 employees	41,722		
		Accountant	Minneapolis/St.Paul metro, all companies	33,934		
			Minneapolis/St.Paul metro, companies with 101 to 500 employees	34,983		
	ECS Wyatt	Accountant-Senior	National, all for profit organizations	52,540	3,550	54,078
		Budget analyst-Senior	National, all for profit organizations	57,155	4,615	58,812
		Internal auditor-Senior	National, all for profit organizations	55,380	3,787	56,800
	Abbott Langer	Controller	National, Non profit museums/art institutes/historical societies	46,577		46,891
			National, non profit organizations with 100 to 249 employees	56,935		57,183
			North Central States, non profit organizations	49,683		50,097
			Minnessota, non profit organizations	50,989		50,991
			Minneapolis/St.Paul & vicinity, non profit organizations	53,340		53,343
Information Systems Manager				\$74,118	\$7,679	\$82,449
	Employers' Association	Information systems manager	Minnesota, all companies	63,400		
			Minnesota, companies with 101 to 500 employees	62,832		
			Central Minnesota, all companies	73,168		
	ECS Wyatt	Information systems manager	National, for profit, companies with <500 employees	76,375	9,317	84,500
			Minnessota, for profit, all companies	71,400	9,100	75,200
			Minneapolis/St.Paul metro, for profit, all companies	71,300	10,200	75,300
			National, non for profit organizations	66,400	2,100	66,800
	William Mercer IT Survey	Information systems administra	National, all companies	94,850		103,658
			National, service-non profit	83,107		83,333
		IS operations manager (w/out r	National, all companies	83,220		88,978
			National, service-non profit	89,543		111,900
		Computer operations manager	National, all companies	66,847		69,557
			National, service-non profit	61,088		65,266

Minnesota Zoological Garden

Scenario 3 & 4

Change of Governance Assumptions - Benchmarking of Payroll, Accounting, Audit Functions

PRIVATE NONPROFIT ORGANIZATION

Goal: What is the net effect of providing these functions internally as opposed to paying the State an annual amount to provide these services. In FY 2000 this amount is estimated at \$242,000.

	Base	Internal Bonus	Total Comp.	External	Total FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	
Accounting/finance	\$47,934	\$3,984	\$53,524		\$69,582	\$73,061	\$78,714	\$80,550	\$84,577	\$88,806	\$93,246	\$97,908	\$102,804	\$107,944	\$113,341	\$119,008	\$124,959	\$131,207	\$137,767	\$144,655	(Note 1,3)
Information Systems Manager	\$74,118	\$7,879	\$82,449		\$107,184	\$112,543	\$118,170	\$124,079	\$130,283	\$136,797	\$143,637	\$150,818	\$158,359	\$166,277	\$174,591	\$183,321	\$192,487	\$202,111	\$212,217	\$222,828	(Note 1,3)
Audit				\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	
Payroll				\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700	
Cost of existing personnel			\$361,515		\$361,515	\$379,591	\$398,570	\$418,499	\$439,424	\$461,395	\$484,465	\$508,688	\$534,122	\$560,828	\$588,670	\$618,313	\$649,229	\$681,690	\$715,775	\$751,564	(Note 1)
Software/hardware & implementation cost			\$600,000		\$200,000	\$200,000	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$200,000	\$200,000	\$200,000	\$0	\$0	\$0	\$0	(Note 2)
Software maintenance			\$30,000		\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	
Total annual cost under a nonprofit private structure					\$789,981	\$816,895	\$845,154	\$874,827	\$905,983	\$938,698	\$973,047	\$1,009,115	\$1,046,988	\$1,086,750	\$1,128,502	\$1,172,342	\$1,218,375	\$1,266,708	\$1,317,459	\$1,370,747	
Current cost under current governance:																					
State fees for payroll, software/hardware usage, accounting functions					\$242,000	\$254,100	\$266,805	\$280,145	\$294,153	\$308,860	\$324,303	\$340,518	\$357,544	\$375,421	\$394,192	\$413,902	\$434,597	\$456,327	\$479,143	\$503,101	(Note 1)
Current internal staff					\$361,515	\$379,591	\$398,570	\$418,499	\$439,424	\$461,395	\$484,465	\$508,688	\$534,122	\$560,828	\$588,670	\$618,313	\$649,229	\$681,690	\$715,775	\$751,564	(Note 1)
Annual audit					\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	
Total annual cost under current structure					\$616,515	\$646,691	\$678,375	\$711,644	\$746,576	\$783,255	\$821,768	\$862,204	\$904,667	\$949,250	\$996,062	\$1,045,215	\$1,096,826	\$1,151,018	\$1,207,918	\$1,267,664	
Excess annual cost/(savings) under a nonprofit private structure:					\$173,466																
For FY 2000					\$173,466																
Thereafter					\$170,204	\$166,779	(\$36,817)	(\$40,593)	(\$44,558)	(\$48,720)	(\$53,091)	(\$57,681)	\$137,500	\$132,440	\$127,127	(\$78,452)	(\$84,309)	(\$90,460)	(\$96,918)		
Allocate excess cost/(savings) as follows:																					
Salaries & benefits					\$170,766	\$185,804	\$194,884	\$204,628	\$214,850	\$225,803	\$236,883	\$248,727	\$261,163	\$274,221	\$287,932	\$302,329	\$317,446	\$333,318	\$349,994	\$367,483	
Purchased services					(\$233,300)	(\$245,400)	(\$258,105)	(\$271,445)	(\$285,453)	(\$300,160)	(\$315,803)	(\$331,618)	(\$348,844)	(\$366,721)	(\$385,492)	(\$405,202)	(\$425,897)	(\$447,627)	(\$470,443)	(\$494,401)	
Other operating expenses					\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	
					\$173,466	\$170,204	\$166,779	(\$36,817)	(\$40,593)	(\$44,558)	(\$48,720)	(\$53,091)	(\$57,681)	\$137,500	\$132,440	\$127,127	(\$78,452)	(\$84,309)	(\$90,460)	(\$96,918)	

- Note (1) Assume annual increase in salaries and state fees of 5%
 Note (2) Assume software/hardware is depreciated over 3 years
 Note (3) Total compensation including benefits
 Note (4) Assume that in FY 08 software and hardware will be upgraded again

Minnesota Zoological Garden
Evaluation of Scenario 1

Memo: This scenario assumes that the zoo will remain under the current governance structure and it will improve to an adequate level by selectively investing in capital projects

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	234,357	255,871	263,547	287,741	296,373	323,580	333,287
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	350,715	361,236	372,073	383,235	394,732	406,574	418,772
Private contributions	104,479	150,000	150,000	150,000	150,000	150,000	164,293	175,793	188,099	201,265	215,354	230,429	246,559	263,818	282,285	302,045
Total incremental cash inflows	864,318	573,397	595,156	608,510	632,450	646,923	687,576	714,775	756,129	786,337	832,461	866,049	917,535	954,923	1,012,439	1,054,104
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	477,653	605,428	632,129	661,443	692,281	724,593	760,823	798,864	838,807	880,747	924,785	971,024
Supplies	51,600	53,148	63,542	66,249	68,236	86,490	90,304	94,492	98,897	103,513	108,689	114,123	119,830	125,821	132,112	138,718
Utilities	25,800	26,574	31,771	33,124	34,118	43,245	45,152	47,246	49,449	51,757	54,344	57,062	59,915	62,911	66,056	69,359
Other	77,400	79,722	95,314	99,373	102,354	129,735	135,456	141,738	148,346	155,270	163,033	171,185	179,744	188,732	198,168	208,077
Development personnel		78,000	80,340	82,750	85,233	87,790	90,423	93,136	95,930	98,808	101,772	104,825	107,970	111,209	114,546	117,982
Planning	125,000															
Total incremental cash outflows	641,000	609,480	715,764	745,237	767,594	952,688	993,464	1,038,055	1,084,903	1,133,941	1,188,662	1,246,060	1,306,266	1,369,420	1,435,667	1,505,159
Net incremental cash flow	223,318	(36,083)	(120,609)	(136,727)	(135,145)	(305,764)	(305,888)	(323,280)	(328,773)	(347,604)	(356,201)	(380,011)	(388,731)	(414,497)	(423,227)	(451,055)
Present value of net incremental cash flow	(2,238,740)															
Salvage value	(2,959,271)															
Net present value	(5,198,011)															

Assume a discount rate of 6%

Minnesota Zoological Garden
Evaluation of Scenario 2

Memo: This scenario assumes that the zoo will remain under the current governance structure and it will improve to an optimal level
by aggressively investing in capital projects

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	656,199	802,438	344,487	354,821	387,394	399,016	435,645
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	818,334	1,000,706	405,286	417,444	429,968	442,867	456,153
Private contributions	104,479	300,000	300,000	300,000	300,000	300,000	216,793	231,968	248,206	265,580	284,171	304,063	325,347	348,121	372,490	398,564
Total incremental cash inflows	864,318	723,397	745,156	758,510	782,450	796,923	740,076	770,950	816,236	1,740,114	2,087,315	1,053,835	1,097,613	1,165,483	1,214,372	1,290,362
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	562,213	692,525	721,838	753,844	787,454	1,524,875	1,937,392	2,012,828	2,091,394	2,173,226	2,274,232	2,387,943
Supplies	51,600	53,148	63,542	66,249	80,316	98,932	103,120	107,692	112,493	217,839	276,770	287,547	298,771	310,461	324,890	341,135
Utilities	25,800	26,574	31,771	33,124	40,158	49,466	51,560	53,846	56,247	108,920	138,385	143,773	149,385	155,230	162,445	170,567
Other	77,400	79,722	95,314	99,373	120,474	148,398	154,680	161,538	168,740	326,759	415,155	431,320	448,156	465,691	487,335	511,702
Development personnel		273,000	281,190	289,626	298,314	307,264	316,482	325,976	335,756	345,828	356,203	366,889	377,896	389,233	400,910	412,937
Planning	125,000															
Total incremental cash outflows	641,000	804,480	916,614	952,113	1,101,476	1,296,586	1,347,679	1,402,896	1,460,689	2,524,221	3,123,905	3,242,358	3,365,601	3,493,841	3,649,812	3,824,284
Net incremental cash flow	223,318	(81,083)	(171,459)	(193,603)	(319,026)	(499,663)	(607,603)	(631,946)	(644,453)	(784,107)	(1,036,591)	(2,188,523)	(2,267,989)	(2,328,358)	(2,435,440)	(2,533,922)
Present value of net incremental cash flow	(8,109,850)															
Salvage value	(16,624,484)															
Net present value	(24,734,334)															

Assume a discount rate of 6%

Minnesota Zoological Garden
Evaluation of Scenario 3

Memo: This scenario assumes that the zoo will change governance structure to become a nonprofit private organization and that it will improve to an optimal level by aggressively investing in capital projects

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	234,357	255,871	263,547	287,741	296,373	323,580	333,287
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	350,715	361,236	372,073	383,235	394,732	406,574	418,772
Private contributions	104,479	300,000	300,000	300,000	300,000	300,000	216,793	231,968	248,206	265,580	284,171	304,063	325,347	348,121	372,490	398,564
Purchased services	233,300	245,400	258,105	271,445	285,453	300,160	315,603	331,818	348,844	366,721	385,492	405,202	425,897	447,627	470,443	494,401
Total incremental cash inflows	1,097,618	968,797	1,003,261	1,029,956	1,067,902	1,097,083	1,055,679	1,102,768	1,165,081	1,217,373	1,286,770	1,344,885	1,422,220	1,486,854	1,573,088	1,645,024
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	477,653	605,428	632,129	661,443	692,281	724,593	760,823	798,864	838,807	880,747	924,785	971,024
Supplies	51,600	53,148	63,542	66,249	68,236	86,490	90,304	94,492	98,897	103,513	108,689	114,123	119,830	125,821	132,112	138,718
Utilities	25,800	26,574	31,771	33,124	34,118	43,245	45,152	47,246	49,449	51,757	54,344	57,062	59,915	62,911	66,056	69,359
Other	77,400	79,722	95,314	99,373	102,354	129,735	135,456	141,738	148,346	155,270	163,033	171,185	179,744	188,732	198,168	208,077
Development personnel		97,500	100,425	103,438	106,541	109,737	113,029	116,420	119,913	123,510	127,215	131,032	134,963	139,012	143,182	147,477
Planning	125,000															
Director's salary	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810	87,355	89,975	92,674	95,455	98,318	101,268
Purchased expenses:																
Insurance costs	170,000	175,100	180,353	185,764	191,336	197,077	202,989	209,079	215,351	221,811	228,466	235,320	242,379	249,651	257,140	264,854
Legal services	28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353	43,623
Labor relations/contract negotiations	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392	138,423	142,576	146,853	151,259	155,797
Salaries & benefits	176,766	185,604	194,884	204,628	214,860	225,603	236,883	248,727	261,163	274,221	287,932	302,329	317,446	333,318	349,984	367,483
Other operating expenses	230,000	230,000	230,000	30,000	30,000	30,000	30,000	30,000	30,000	230,000	230,000	230,000	30,000	30,000	30,000	30,000
Total incremental cash outflows	1,410,766	1,418,474	1,545,840	1,397,213	1,442,322	1,651,054	1,716,394	1,786,510	1,859,886	2,136,497	2,219,879	2,307,072	2,198,255	2,293,618	2,393,357	2,497,680
Net incremental cash flow	(313,147)	(449,676)	(542,580)	(367,257)	(374,420)	(553,971)	(660,715)	(683,742)	(694,805)	(919,124)	(933,109)	(962,187)	(776,035)	(806,764)	(820,269)	(852,656)
Present value of net incremental cash flow	(6,273,610)															
Salvage value	(5,594,082)															
Net present value	(11,867,692)															

Assume a discount rate of 6%

Minnesota Zoological Garden
Evaluation of Scenario 4

Memo: This scenario assumes that the zoo will change governance structure to become a nonprofit private organization and that it will improve to an optimal level by aggressively investing in capital projects

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incremental Cash Inflows:																
Admission fees	262,984	146,540	159,992	164,792	179,920	185,318	202,330	208,400	227,531	656,199	802,438	344,487	354,821	387,394	399,016	435,645
Earned revenue	496,855	276,857	285,163	293,718	302,530	311,605	320,954	330,582	340,500	818,334	1,000,706	405,286	417,444	429,968	442,867	456,153
Private contributions	104,479	500,000	500,000	500,000	500,000	500,000	286,793	306,868	328,349	351,333	375,926	402,241	430,398	460,526	492,763	527,256
Purchased services	233,300	245,400	258,105	271,445	285,453	300,160	315,603	331,818	348,844	366,721	385,492	405,202	425,897	447,627	470,443	494,401
Total incremental cash inflows	1,097,618	1,168,797	1,203,261	1,229,956	1,267,902	1,297,083	1,125,679	1,177,668	1,245,224	2,192,588	2,564,563	1,557,216	1,628,561	1,725,515	1,805,089	1,913,455
Incremental Cash Outflows:																
Operating expenses due to capital expenditures:																
Salaries and benefits	361,200	372,036	444,797	463,741	562,213	692,525	721,838	753,844	787,454	1,524,875	1,937,392	2,012,828	2,091,394	2,173,226	2,274,232	2,387,943
Supplies	51,600	53,148	63,542	66,249	80,316	98,932	103,120	107,692	112,493	217,839	276,770	287,547	298,771	310,461	324,890	341,135
Utilities	25,800	26,574	31,771	33,124	40,158	49,466	51,560	53,846	56,247	108,920	138,385	143,773	149,385	155,230	162,445	170,567
Other	77,400	79,722	95,314	99,373	120,474	148,398	154,680	161,538	168,740	326,759	415,155	431,320	448,156	465,691	487,335	511,702
Development personnel		338,000	348,140	358,584	369,342	380,422	391,835	403,590	415,697	428,168	441,013	454,244	467,871	481,907	496,364	511,255
Planning	125,000															
Director's salary	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810	87,355	89,975	92,674	95,455	98,318	101,268
Purchased expenses:																
Insurance costs	170,000	175,100	180,353	185,764	191,336	197,077	202,989	209,079	215,351	221,811	228,466	235,320	242,379	249,651	257,140	264,854
Legal services	28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353	43,623
Labor relations/contract negotiations	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392	138,423	142,576	146,853	151,259	155,797
Salaries & benefits	176,766	185,604	194,884	204,628	214,860	225,603	236,883	248,727	261,163	274,221	287,932	302,329	317,446	333,318	349,984	367,483
Other operating expenses	230,000	230,000	230,000	30,000	30,000	30,000	30,000	30,000	30,000	230,000	230,000	230,000	30,000	30,000	30,000	30,000
Total incremental cash outflows	1,410,766	1,658,974	1,793,555	1,652,359	1,825,923	2,046,163	2,123,356	2,205,681	2,291,632	3,584,415	4,214,490	4,364,519	4,320,573	4,482,911	4,674,320	4,885,628
Net incremental cash flow	(313,147)	(490,176)	(590,295)	(422,404)	(558,021)	(749,080)	(997,677)	(1,028,013)	(1,046,408)	(1,391,827)	(1,649,927)	(2,807,303)	(2,692,012)	(2,757,396)	(2,869,232)	(2,972,173)
Present value of net incremental cash flow	(12,325,235)															
Salvage value	(19,499,746)															
Net present value	(31,824,981)															

Assume a discount rate of 6%

RECOMMENDATIONS

Introduction

While the Minnesota Zoo has had a troubled relationship with the Minnesota State Legislature since the Zoo's founding, there is a great deal to be proud of in the Zoo's past performance. And while legislators have reason to be frustrated with what they perceive to be poor management, they have nevertheless provided generous operating support compared to what many other zoos receive nationwide.

The recommendations that follow are based on the belief that the relationship between the State and the Zoo must and can be repaired, but that a change in governance structure would not be the appropriate tool to effect such a repair. Focusing on governance would not solve the underlying problems of leadership, accountability and capital.

The ten recommendations listed below are all tied in some way to addressing the three major issues of strengthening leadership, improving accountability and recapitalizing a major state asset.

1. Retain the current governance structure.

Minnesota Zoo appears to be in a much different position than other zoos that have recently privatized. The Zoo is not in imminent danger of closing due to animal deaths, employee fraud, or loss of accreditation. There do not seem to be significant opportunities for outsourcing that could reduce operating costs. There does not seem to be much room to enhance earned income, given the dramatic increases the Zoo has achieved in this area in the past decade. The Zoo is now on the upper end of earned revenue per visitor compared to similarly-sized zoos. The Zoo is bound by relatively few state restrictions on admissions income, admissions fees and purchasing. In short, the State and the Zoo have already achieved many of the gains that other zoos seek through privatization.

Furthermore, the costs and risks of privatizing are not trivial: significant transaction costs in staff time, energy and direct costs; potential transition costs (e.g., employee pension plan turnover); ongoing costs to the Zoo such as insurance, legal and information systems costs; and the uncertainty of access to bonding money could seriously destabilize the Zoo's financial situation. Our financial analysis projects a net increase in the Zoo's annual operating budget of approximately \$250,000 if the Zoo were a nonprofit entity.

It appears that the potential benefits of privatization could be achieved without actually privatizing. Hiring a nationally renowned zoo leader at a market-rate salary could happen if the legislature allowed the Zoo board to set the salary of the Zoo president. Significantly increased contributed income could be raised if the Zoo hired a truly visionary leader on an experience and pay level with the leaders of other major zoos nationwide and major local cultural institutions.

2. Cap the State support of Zoo operations at the current level.

Most zoos that have privatized have agreed to a cap on public funding or a cap with inflationary increases. This does not seem like an unreasonable burden to place on the Zoo, given its past history of revenue development. Such a cap could potentially have the effect of accelerating progress towards increased earned and contributed income goals.

3. Forgive all debt service going forward.

Yes, the Zoo put itself in the position of incurring substantial debt. Yes, in hindsight this was a bad decision. But it's time to move on. The debt service on Discovery Bay and roof repair is a crippling burden that amounts to eight percent of the Zoo's 1999 operating budget. No other state agency is subject to debt service at this level, and no other cultural organization could function with such indebtedness. Wipe the slate clean. The financial analysis conducted for this study clearly demonstrates the profound positive impact of this change on the Zoo's financial situation.

4. Remove the cap on the salary of the Zoo President, and hire a leader with the vision and experience to take the Zoo to the next level.

By most measures the Minnesota Zoo is considered to be one of the best and most well-attended zoos in the U.S. It is not without its problems and challenges, but it is a large and complex organization that calls for an experienced leader to address those challenges. Seasoned nonprofit leaders are in short supply and high demand. The current salary for the Zoo president is not sufficient to attract a top-tier leader. It is not even close to the salaries being paid to the leaders of other similarly-sized local private nonprofit organizations. Our financial analysis assumes a significant increase in the Zoo president's salary. This would require legislation to exempt the Zoo president from state salary restrictions, as in the case of the director of the Minnesota State Historical Society. The Zoo's previous president created a tremendous spirit of enterprise at the Minnesota Zoo, and the results in increased earned income speak to her accomplishments. That spirit needs to be revived if the Zoo is to live up to its full potential.

5. Create a compelling vision for the Zoo's future, and a plan to carry it out.

There is tremendous lack of clarity surrounding the Zoo's future. There is no facilities master plan or strategic plan supported by a long range financial plan. First, the Zoo needs to develop a process to determine what kind of zoo the customers and stakeholders of the Minnesota Zoo want and are willing and able to pay for. Then the Zoo needs to produce strategic, facilities and business plans to

execute and fund that vision. The process used to develop the vision must be inclusive, with the State as major partner.

Our financial analysis explored two capital investment scenarios ranging from "adequate" to "optimal" capitalization of exhibits and program facilities. The actual dollar amount needed to fully optimize zoo exhibits and program facilities will be determined pending the outcome of a comprehensive planning process.

6. Invest in capital infrastructure.

The Zoo's capital infrastructure is in urgent need of repair and replacement. The State should immediately invest in addressing those areas where staff and visitor safety are at risk, animal health is compromised and amenities are in decline.

7. Invest in the capacity to develop contributed income.

The Zoo's contributed income is underdeveloped. In most cases, there is a direct connection between investment in staff resources and the funds ultimately raised. The Zoo should build on the momentum of the recently-completed, successful capital campaign and create a full-service development department with sufficient staff to increase contributed income in all areas, with a special focus on individuals and project support to provide budget relief. Begin a capital and endowment campaign to fund the following:

- Infrastructure (State funding)
- Exhibits and programs (combination of State and private funding)
- Endowment (private funding)

A major capital campaign is the only way the Zoo can dramatically improve the quality of its product and level of visitation. The Zoo must invest in new exhibits, programs and amenities that will attract visitors of all ages. Over the past 20 years, the State has appropriated or bonded \$165 million in capital and operations funding of the Zoo, including its original investment to build the Zoo. This compares with \$500 million invested by the State of North Carolina in its zoo, the only other state zoo in the nation.

8. Develop clear measures of accountability.

The relationship between the Zoo, legislators and the executive branch can only be rebuilt on a platform of credibility and trust. The building blocks of this platform were laid in the "Partnership" discussions begun in the summer of 1998. All parties seem to agree that much progress was made in these discussions. It appears as though the Partnership concepts could form the basis for agreed-upon performance measures for which the Zoo and the State could hold each other mutually responsible. These measures would reflect the unique nature of this state agency, give the Zoo sufficient latitude to live up to its potential, and provide state legislators with the level of accountability the magnitude of their support deserves.

9. Significantly Improve legislative relations.

The State is the Zoo's single largest donor by far. The Zoo must devote significant time and effort to educating legislators about Zoo programs. The Zoo must speak consistently, with one voice. That voice should be the personal, passionate informed voice of the Zoo president and/or a vice president for external relations and members of the Zoo board.

As the findings in this report indicate, there is much good news about the Zoo's past performance of which many legislators are unaware. Furthermore, many legislators lack an understanding of the complexity and challenges of running a major zoo. Clearly, the Zoo's image is not as positive as the Zoo board would like it to be. At the same time, many legislators feel that the Zoo does not take legislative realities into account. This gap in mutual understanding and trust must be bridged.

10. Deepen and expand the Zoo's educational mission.

The Minnesota Zoo is a living lab and environmental education is at the heart of its mission. The Zoo needs to:

- Invest in classroom facilities for children and adults.
- Aggressively pursue partners (such as the Department of Natural Resources) and funders with interests in conservation and education.
- Begin to charge a modest amount for K-6 educational programs, as do other local family attractions.

LIST OF INDIVIDUALS INTERVIEWED FOR ZOO GOVERNANCE STUDY

Minnesota Zoo Board and Minnesota Zoo Foundation Board

Dan Rohr (chair), John Appel, Ellie Crosby, Ned Dayton, Jack Forsythe, Peter Hutchinson, Gene Merriam, Jim Trender, Jeff Ruehle (chair), Foundation Board

Minnesota Zoo Staff

Connie Brazier (acting director), Jim Reinholdz (VP finance), Jim Streater (biological programs), Mike Traub (former VP marketing), Lars Erdahl (VP education), Kim Thomas (operations director), Jon Cieslak (VP development), Sharon Foster (MAPE), Steve Estebo (MAPE), Ross Taylor (AFSCME), John Lott (AFSCME), Gary Hall (MMA), Steve Christensen (Directors Advisory Council)

AFSCME Council 6, AFL-CIO

Julie Blehyl, Tom Bier, Bob Clegg

State of Minnesota

Pam Wheelock (Commissioner of Finance), Peggy Ingison (Asst Finance Commissioner), Doug Watnemo (Executive Budget Officer), Chas Anderson (House Ways and Means staff), Steve Ernest (Fiscal Analyst, Senate Environment Budget), Wayne Simoneau (Department of Employee Relations), Harry Carlson (Department of Employee Relations), David Bergstrom (MN State Retirement system), Dick Phutzenreuter (U of M Finance), Representative Tom Osthoff, Representative Dave Bishop, Senator Jane Krentz, Representative Tim Pawlenty

Other Zoos

Kevin Bell (director, Lincoln Park Zoo); David Jones (director, North Carolina Zoological Park), Steve Taylor (director, Cleveland Metroparks Zoo), David Towne (director, Woodland Park Zoo), Satch Krantz (director, Riverbanks Zoo)

Funders/Potential Funders

Sarah Lutman (Bush Foundation), Jay Cowles, Jud Dayton, Ned Dayton, Ellen Luger (General Mills Foundation), Dick McFarland (Dain Rauscher and Zoo Campaign Chair), Rip Rapson (McKnight Foundation), Penny Hunt (Medtronic Foundation), Diane Lilly (Norwest Bank Foundation), Ron McKinley (St. Paul Companies), Carolyn Roby (Norwest Bank Foundation), Paul Verret (St. Paul Foundation), Cindy Kleven (3M Foundation), Bill McGuire (United Health Care)

Local and Regional Governments

Ted Mondale (Metropolitan Council), Mary Haman-Roland (Apple Valley mayor), Brandt Richardson (Dakota County administrator), Will Branning (Dakota County commissioner), Jack Ditmore (Dakota County director of Operations, Management and Budget), Arnie Stefferud (Metropolitan Council Senior Parks Planner)

Other

Nina Archabal, Director, Minnesota State Historical Society), Kathryn Roberts (former MN Zoo director), Kathy Wilson, (VP Science Museum and former VP, Bronx Zoo), Ross Kramer (Zoo lobbyist), Kate Bronislowski (American Zoo and Aquarium Association)

Appendices and Source Documents

- 1. List of individuals interviewed for this study**
- 2. Historical timeline**
- 3. Historical data graphs**
- 4. Membership history**
- 5. Attendance history**
- 6. Private fund raising history**
- 7. American Zoo and Aquarium Association data**
- 8. 2020 Trend Report**
Key trends for 1999 to 2020, their implications for the American Zoo and Aquarium Association and its members, and possible strategies to respond to those trends
- 9. Economic Impact and Services of Minnesota Zoological Garden**
Assessing MZG's Opportunity to Target Services for Economic Impact
- 10. Financial Audit, July 1, 1995 through June 30, 1997**
Enterprise revenue, payroll and administrative expenditures
- 11. Strategic plan**
- 12. Education master plan**
- 13. Student participation in zoo programs**
- 14. Market research information**
1998 Attendance Monitor-Angus Reid Group
Attitude and Awareness Survey (non-visitors)
1998 Visitor Survey
- 15. Partnership discussions summary**
- 16. Privatization contract study**
- 17. Insurance costs**

18. Zoo privatization case studies

Atlanta, San Francisco, Pittsburgh, Lincoln Park, San Antonio, Woodland Park
(Consulted heavily but not included here due to size of document)

CONSULTANT PROFILES

Ann L. Bitter, consultant to nonprofits

Credentials

- Has 24 years of experience in nonprofit leadership in museums, public broadcasting and higher education
- Developed deep knowledge of the Twin Cities philanthropic community. Has significant experience and success in strategic resource development for Walker Art Center and the Minneapolis Sculpture Garden, the Science Museum of Minnesota and Minnesota Children's Museum.
- Was chief government relations officer for the Science Museum of Minnesota and Minnesota Children's Museum. Developed constructive relationships with State legislators in procuring significant bonding and operations funds.
- Has many years of experience in designing and working with nonprofit governance structures in major Twin Cities attractions, and as a governance consultant.

Diane Herman, Senior Vice President, Cincinnatus

Credentials

- Has 23 years of experience in for-profit business, the public sector and consulting to the arts, education, health care and social service industries.
- Managed several large businesses at The Pillsbury Company, with responsibility for changing their strategic directions and positioning them for more profitable long-term growth.
- Worked for the Governor of Minnesota and the senate majority leader on a variety of public policy assignments, including as Director of the Legislative Commission on Employee Relations, whose mandate was to reengineer state labor unions and collective bargaining structures.
- Substantial experience in consulting to nonprofits on governance, strategic business planning, competitive and earned income strategies.
- Skilled facilitator, market researcher and focus group designer and leader.

E. Bradley Wilson, CPA, Assurance Partner;

Maria Christodoulou, CPA, Manager, Grant Thornton LLP

Brad Wilson is Partner-in-Charge of Grant Thornton's Minneapolis office Assurance Department. He has over seventeen years of professional accounting experience. His primary area of expertise is accounting and auditing.

Maria Christodoulou is a CPA and manager with experience in developing feasibility studies and company valuations, auditing, product marketing plans and preparation of financial statements.