

ZA00L
Miscellaneous Grant Programs

***Maryland Zoo in Baltimore – Infrastructure Improvements
(Baltimore City)***

General Obligation Bonds **\$5,000,000** **Recommendation:** **Reduce funding by
\$2 million**

Bill Text: Provide a grant to the Board of Directors of the Maryland Zoological Society, Inc. for the design, construction, and equipping of various infrastructure improvements.

Program Description: The current request includes \$5 million in general obligations (GO) bonds for capital infrastructure improvements at the Maryland Zoo in Baltimore. The budget includes funding for basic infrastructure improvements, including the correction of life safety deficiencies and animal welfare deficiencies. Funding will be used to support infrastructure improvement projects.

Prior Authorization and Capital Improvement Program

**Authorization Uses
(\$ in Millions)**

<i>Fund Uses</i>	<i>Prior Authorization</i>	<i>2011 Allowance</i>	<i>2012 Estimate</i>	<i>2013 Estimate</i>	<i>2014 Estimate</i>	<i>2015 Estimate</i>
Planning	\$0.220	\$0.550	\$0.550	\$0.550	\$0.550	\$0.550
Construction	1.720	4.300	4.300	4.300	4.300	4.300
Equipment	0.060	0.150	0.150	0.150	0.150	0.150
Total	\$2.000	\$5.000	\$5.000	\$5.000	\$5.000	\$5.000

**Authorization Sources
(\$ in Millions)**

<i>Fund Sources</i>	<i>Prior Authorization</i>	<i>2011 Allowance</i>	<i>2012 Estimate</i>	<i>2013 Estimate</i>	<i>2014 Estimate</i>	<i>2015 Estimate</i>
GO Bond	\$2.000	\$5.000	\$5.000	\$5.000	\$5.000	\$5.000
Total	\$2.000	\$5.000	\$5.000	\$5.000	\$5.000	\$5.000

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Program Analysis

The Maryland Zoo in Baltimore is a 140-year-old institution situated on 135 acres of land. Over the years, the zoo has expanded and now occupies 45 acres of the 135 acre parcel. In order to address facilities needs, the zoo hired a consultant to make an assessment of the zoo in 2007. The consultant developed a comprehensive list of needed improvements that were grouped into three categories: basic infrastructure, strategic services, and exhibit/attraction improvements. Basic infrastructure improvements include projects that address life safety issues for animals and zoo visitors. Strategic services improvements include projects such as the renovation of food service areas and improvements to lighting, signage, and restrooms. Exhibit/attraction improvements include the construction and renovation of animal enclosures and displays in an effort to enhance the visitor experience. The zoo anticipates addressing improvements in each of the aforementioned categories over the next five years.

The current request includes \$5 million in GO bonds for the following projects:

- ***Life Safety Issues (\$500,000):*** This item includes the installation of ground fault circuit interrupter receptacles and the replacement of several interior gates that are critical to prevent animal escape.
- ***Animal Welfare Issues (\$500,000):*** This item includes new refrigerators in various areas, interior painting, lighting protection for zoo exhibits, the installation of stainless steel sinks in animal food preparation areas, stormwater management to address flooding, the replacement of deteriorating animal cages, and the installation of automatic watering bowls.
- ***Emergency Generator for Veterinary Hospital (\$250,000):*** A new backup generator system will support hospital needs and allow equipment to be plugged directly into circuits, thereby avoiding the potential safety hazards associated with the use of an extension cord. Currently, whenever a power outage occurs, zoo staff must unplug certain pieces of equipment in order to preserve specimens and blood samples.
- ***Re-keying of the Zoo Lock System (\$200,000):*** This item involves the development of a unified key lock system to maintain security.
- ***Perimeter Fence/Gate Repair and Replacement (\$100,000):*** The zoo is required to maintain an eight foot tall perimeter fence with barbed wire around the entire 135 acre parcel. Much of the fencing is in need of repair due to age and damage from falling tree limbs, vandalism, and vehicle damage. The condition of the zoo's perimeter fence was a concern of the zoo's accreditation inspection in 2007.
- ***Mansion House Improvements (\$1,150,000):*** Funds are requested to redesign and restore the structure of the Mansion House and enhance its use as a revenue producing facility. The improvements include (1) improved egress from the second floor in the event of a fire;

(2) mechanical and electrical upgrades to base building systems; (3) design and modification of floor plans, lighting, and finishes; (4) structural modifications to the flooring system and foundation walls; (5) replacement of exterior porch walls and window systems; (6) removal of existing lower level offices and the installation of new facilities; (7) new audio visual, telephone, and data infrastructure; and (8) a commercial kitchen upgrade to support catering events. According to the zoo, the fiscal 2011 authorization will be used to make structural improvements to the Mansion House porch.

- ***Oasis Snack Facility/Restroom Renovations (\$400,000):*** The renovation would include installing air conditioning; replacing food service equipment and picnic tables/benches; adding trash cans; and upgrading the outdoor African Journey food services dining area. The restrooms in this area will also require a full renovation, including the replacement of toilet fixtures with water saving devices.
- ***Schaefer Plaza Comfort Station (\$50,000):*** This item involves the installation of air conditioning in the comfort station/restrooms.
- ***Renovate Guest Way Signage (\$150,000):*** This item involves the renovation of zoo signage (e.g., signage to exhibits, food areas, and restrooms) in an effort to assist guests while navigating throughout the zoo.
- ***African Penguin Exhibit Phase I (\$1,500,000):*** The zoo maintains the largest colony of African penguins in North America. The current exhibit has numerous leaks, and the facility where the penguins are housed at night is inadequate by current zoo standards. The zoo plans to create a new exhibit in the central part of the zoo with underwater viewing and water filtration. Phase I would include the development of design and construction documents.
- ***Maryland Wilderness Exhibit Renovation (\$200,000):*** This item involves the renovation of several exhibits (e.g., turtle, river otter, venomous snake) due to poor design or old age.

Issues

1. Maryland Zoo in Baltimore Financial Update

Prompted by the need for \$5.61 million of emergency State funding in fiscal 2007 to prevent the Maryland Zoo in Baltimore from closing, the budget committees began examining the financial health of the zoo during the 2008 session. The chief causes for concern were:

- low attendance;
- poor earned income from dwindling gate receipts, falling private donations, and disadvantageous contracts with in-park vendors;

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- the subsequent increased need for public funds to replace dollars not generated through operations; and
- rising expenditures in the face of falling revenues.

In response to these concerns, the 2009 *Joint Chairmen’s Report* requested the submittal of audited financial statements and monthly attendance reports.

Zoo Attendance Continues to Decline

Exhibit 1 shows zoo attendance for fiscal 2007 through 2010 by visitor group type. Zoo attendance declined by 18,288, or 5.2%, in fiscal 2009 as compared to fiscal 2008. According to the zoo, the across-the-board reduction in attendees was due to a combination of factors, including inclement weather and a reduction in State funding, which prompted the closure of the zoo for an extra month during fiscal 2009. Based on year-to-date figures, more than 170,000 patrons will have to visit the zoo between March and June of 2010, in order to match fiscal 2009 attendance levels. Nearly 180,000 patrons visited the zoo during the same timeframe in 2009. **The zoo should comment on its projections for fiscal 2010 and 2011 attendance totals.**

Earned Income and Expenses

Exhibit 2 demonstrates the changes to revenues and expenses at the zoo from fiscal 2008 to 2009, as detailed in the audited financial statements.

Exhibit 1
Maryland Zoo in Baltimore Attendance by Groups
Fiscal 2007-2010

	<u>2007</u> <u>Actual</u>	<u>2008</u> <u>Actual</u>	<u>2009</u> <u>Actual</u>	<u>2008-2009</u> <u># Change</u>	<u>2008-2009%</u> <u>Change</u>	<u>2010</u> <u>YTD*</u>
General	154,704	158,600	153,800	-4,800	-3.0%	80,842
Member	114,537	107,358	99,877	-7,481	-7.0%	59,960
School	75,788	79,888	74,005	-5,883	-7.4%	15,698
Passes	4,122	3,123	2,999	-124	-4.0%	2,457
Total	349,151	348,969	330,681	-18,288	-5.2%	158,957

YTD: year-to-date

* Through November 2009

Source: Maryland Zoo in Baltimore

Exhibit 2
Maryland Zoo in Baltimore – Audited Financial Statements
Fiscal 2008-2009

	<u>2008 Actual</u>	<u>2009 Actual</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue, Grants, and Other Support				
Grants and Awards	\$9,816,519	\$11,811,503	\$1,994,984	20%
Contributions	454,470	731,588	277,118	61%
Donated Facilities and Utilities	1,185,616	572,584	-613,032	-52%
Donated Services and Materials	726,960	141,026	-585,934	-81%
Visitor Revenue	2,189,407	1,913,048	-276,359	-13%
Investment Income	63,065	-29,434	-92,499	-147%
Membership Dues	1,045,382	1,083,237	37,855	4%
Other Revenue	634,796	426,183	-208,613	-33%
Total	\$16,116,215	\$16,649,735	\$533,520	3%
Expenses				
Program Services	\$11,735,539	\$10,414,738	-\$1,320,801	-11%
Supporting Services	3,310,677	2,875,025	-435,652	-13%
Fundraising	782,374	771,746	-10,628	-1%
Total	\$15,828,590	\$14,061,509	-\$1,767,081	-11%
Change in Income	\$287,625	\$2,588,226	\$2,300,601	800%

Source: Maryland Zoo in Baltimore, Clifton Gunderson, LLP

Notable areas of revenue change include the following:

- **Grants and Awards:** Grants and awards increased by \$1,994,984, or 20%, in fiscal 2009. Grants and awards generally consist of public funding from State and local jurisdictions. The increase in grant funds was primarily driven by the receipt of approximately \$3 million in capital grant funds from the State for infrastructure improvements at the zoo.
- **Contributions:** Contributions increased by approximately \$277,118, or 61%, in fiscal 2009. Contributions are comprised of annual fund donations from individuals and corporations, excluding memberships. According to the zoo, the majority of the contributions received in fiscal 2009 comprised monetary donations.
- **Visitor Revenue:** Visitor revenue decreased by \$276,359, or 13%, in fiscal 2009. Visitor revenue comprises revenue obtained from admission ticket sales, concession commissions, enjoyment rides (net of revenue sharing paid to vendors), and facility rentals. According to the zoo, the decline in visitor revenue was due to a reduction in visitor attendance and admission pricing changes. In an effort to encourage online ticket sales, the zoo began discounting the price of online ticket purchases in March 2008.
- **Membership Dues:** Membership dues increased by \$37,855, or 4%, in fiscal 2009. Membership dues include revenue from individual memberships and corporate memberships.

Individual membership dues, which range in price from \$55 (one adult) to \$99 (family membership), comprised 72% of the zoo's fiscal 2009 membership revenue.

Outlook for the Future

As the consolidated financial statements produced by Clifton Gunderson, LLP for the zoo state, "The Organization's operating costs have significantly exceeded revenues that can be generated from zoo patrons over the past few years and the Organization has limited assets which can be converted into cash. This results in a lack of liquidity and concern about the ability to meet current obligations. As a result, significant public funding, primarily from the State of Maryland and the City of Baltimore, have been required to continue the organization's mission."

As reflected in the 2010 *Capital Improvement Program (CIP)*, the State is entering into a long-term commitment to fund infrastructure improvements needed in order to bring the zoo up to standard and to maintain the zoo's Association of Zoos and Aquariums (AZA) accreditation. Beginning with fiscal 2011 request, the CIP reflects an annual State funding level of \$5.0 million throughout the five-year planning period for capital infrastructure improvements at the zoo. It should be noted that this significant capital investment is in addition to the sizeable annual operating subsidy (\$5.7 million) that the State currently provides to the zoo. As reflected in Exhibit 2, it is apparent that the financial viability of the zoo depends heavily on the State's continued monetary support of zoo operations. Likewise, without capital funding for infrastructure improvements, it would be difficult for the zoo to retain its AZA accreditation and to remain a viable cultural attraction. Essentially, the operating and capital subsidies are hand-in-hand, and without both, the zoo would likely have to close its doors to the public. As the State is faced with its own substantial financial constraints, Maryland's sizeable operating and capital funding contributions to the zoo have to be balanced amongst other competing needs. **The zoo should discuss the future direction and financial prospects in light of recent performance and the difficult economic conditions.**

2. Fiscal 2010 Project Status Update

For years, the zoo was unable to access capital authorizations provided to improve the zoo's facilities because its low revenue generation made meeting the matching fund requirements difficult. During the 2009 legislative session, the Maryland General Assembly addressed this issue by amending two prior authorizations to remove the matching fund requirement, which made approximately \$8.3 million in capital funds available to the zoo. **Exhibit 3** provides a project status update. While discussions with the zoo have indicated that the zoo has contracted with a private vendor for capital project management services, it is questionable as to how much capital funding the zoo can handle on an annual basis given the recent influx in capital funding coupled with the zoo's seven days a week operating schedule. **Accordingly, the Department of Legislative Services (DLS) recommends that the State utilize a more phased-in approach to funding the zoo's long-term capital needs. Specifically, DLS recommends that the budget committees authorize an additional \$3 million in GO bond funds in fiscal 2011, which will enable the zoo to address many of its capital improvement needs without severely hampering zoo operations. This action will also afford the State with an additional year to evaluate the zoo's capital expenditure history in an effort to better determine an appropriate level of long-term annual funding.**

Exhibit 3
Project Status Update

<u>Project</u>	<u>Amount</u>	<u>Project Status</u>
Correct life safety deficiencies	\$500,000	Ongoing
Animal welfare deficiencies	500,000	Awaiting DGS contract approval
Roof replacements at the zoo	200,000	Ongoing
Information technology infrastructure upgrades	300,000	In planning phase
Zoo Veterinary Hospital HVAC System	800,000	Awaiting design proposal
Mansion House infrastructure/air conditioning system	250,000	Awaiting design proposal
Maryland Building – interior and exterior renovations	900,000	\$635,000 encumbered to date
Exhibits and attractions – train track	2,250,000	Under construction
Exhibits and attractions – train station	300,000	Under construction
New Sitatunga Barn	2,000,000	In design
Prairie dog exhibit	250,000	Complete
Total	\$8,250,000	

HVAC: Heating, ventilation, and air conditioning

DGS: Department of General Services

Source: Maryland Zoo in Baltimore

Recommended Actions

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Allowance
5,000,000

Change
-2,000,000

Authorization
3,000,000

Explanation: For years, the zoo was unable to access capital authorizations provided to improve the zoo’s facilities because its low revenue generation made meeting the matching fund requirements difficult. During the 2009 legislative session, the Maryland General Assembly addressed this issue by amending two prior authorizations to remove the matching fund requirement, which made approximately \$8.3 million in capital funds available to the zoo. This action will authorize an additional \$3.0 million in capital funds during fiscal 2011, which will enable the zoo to address many of its capital improvement needs without severely hampering zoo operations. This action will also afford the State with an additional year to evaluate the zoo’s capital expenditure history in an effort to better determine an appropriate level of long-term annual funding.