



# Oregon Zoo Bond Citizens' Oversight Committee Report

FEBRUARY 2011

## Who we are

We are the Oregon Zoo Bond Citizens' Oversight Committee ("the Committee") appointed by the Metro Council in January 2010. We have met four times; February, May and November 2010, and February 2011. We currently have 18 members. The Committee members bring to the committee skill sets from a diverse set of backgrounds (see Appendix A).

Our meetings typically involve interactive presentations involving the Zoo Bond Program team and Oregon Zoo staff. There is considerable discussion and question/answer time devoted to each meeting.

The Committee developed a charter on May 12, 2010 under which it operates. The charter essentially incorporates the governance and reporting requirements of Metro Council Ordinance 10-1232, but also provided for a vice chair position in addition to the chair position called for by the ordinance.

The Committee operates at a relatively high oversight level. Our charge is to determine if the Zoo Bond Program is on the right path in terms of structure, expenditures and achievement of defined goals. We do not make specific project decisions. We look at how decision-making occurs and how business is conducted. We seek to help ensure that the right processes and controls are in place so that the best possible value can be realized from the voter-approved Zoo Bond funds. As you can see from the attached organizational chart of the Zoo Bond Program (Appendix B), there are many different levels of interaction and oversight.

## Why we exist

The 2008 Zoo Bond Measure titled, "Bonds to Protect Animal Health and Safety: Conserve, Recycle Water," (the "Zoo Bond") called for a citizen oversight committee to do the following:

1. Assess progress in implementing the Oregon Zoo Bond Measure project improvements.
2. Report on project spending trends and current cost projections, and review and report on the Annual Independent Financial Audit of spending.
3. Consider and recommend project modifications intended to account for increases in construction costs in excess of budget estimates, to ensure that the purpose and promised of the Oregon Zoo Bond Measure is fully realized.

## The committee's reporting requirement

We are required to report annually to the Metro Council regarding the progress of the Zoo Bond Program. This document shall serve to satisfy that requirement.

The Zoo Bond projects primarily commenced in mid to late 2010. As of the date of this report, construction is underway on the Veterinary Medical Center, Penguin Filtration System and some of the water and energy projects. The zoo is midway through a master planning process that will produce schematic designs and cost estimates for all the remaining bond projects, as well as construction phasing and other information. The master plan is expected to wrap up in the third quarter of 2011. Given that the master plan has not yet been completed and that construction projects underway are primarily in the early stages, the Committee has focused its attention to date on the people, processes, reporting currently in place, and spending.

### REQUIRED REPORTING ITEM 1

#### Assessment of progress

- The Zoo Bond Program has a clear organizational and governance structure, and processes appear to be in place to ensure that Metro will be a good steward of the bond money.
- The program appears to be adequately staffed in its current phase, although there may be some need for additional communication and outreach assistance, particularly given the number of constituent groups involved with or affected by the zoo bond projects.
- Land use approvals remain a threat to future schedules. While acknowledging that the staff is working diligently with the City of Portland, we recommend that this process be monitored closely, with a keen focus on making sure the appropriate level of resources are dedicated to achieving the necessary approvals.
- Land use planning is proceeding on two tracks: (a) an amendment to the existing Conditional Use Master Plan (CU MS) to allow work for the onsite elephant exhibit and other related projects and (b) an application for a new CU MS for the remainder of the specific bond projects and master plan concepts. Given the requirements to obtain a new CU MS, this appears to be a good interim strategy in that, if approved, an amendment would allow construction to begin on the elephant onsite exhibit and related work while the new CU MS is negotiated and finalized.
- At this early stage, it appears that adequate internal reporting processes are in place for the active construction projects, the master planning process and the land use efforts. These include detailed monthly reports to the Zoo Bond Advisory Group, and higher-level reporting to the Citizens' Oversight Committee and the Metro Council on a quarterly basis. In addition, the Zoo Bond Program team has presented detailed information to the Metro council at both Council work sessions and Council meetings to inform and to seek direction. We would expect to see further refinement to the project-level reporting, both qualitative and financial, upon completion of the master plan, when budgets and timing are more clearly defined for the Zoo Bond Program's overall plans. We recommend that the final program-reporting package

include, but not be limited to, cash flow monitoring, scheduling, budget to actual comparisons and other metrics.

- We understand discussions are under way regarding whether to use alternative contracting methods, including Construction Management / General Contractor, for future Zoo Bond projects. Given the complexity of the Zoo Bond projects and the likelihood of simultaneous constructions projects, we support the assessment of alternative contracting methods in order to reduce risk and achieve the most cost-effective and efficient use of the Zoo Bond funds.

## REQUIRED REPORTING ITEM 2

### Report on spending trends and current cost projections and independent auditors report

- The Zoo Bond covers nine projects for a total for \$125 million. The Zoo Bond Program is currently focused on four areas: construction, planning, land use planning and administration.
- Master planning is underway, budgeted at \$1.5 million, and will provide schematic designs, phasing of construction, and infrastructure and sustainability measures. The committee supports the master planning process as a crucial element in helping to ensure efficient and effective use of bond proceeds.
- Construction has started on the Veterinary Medical Center, the Penguin Filtration Project and some of the water and energy projects. The Veterinary Medical Center project went through an extensive budgeting and value engineering process before our committee commenced its operations. The project was awarded to the lowest bidder, and as such, the staff is alert to the risks of future change orders, but the potential for cost overruns must be watched carefully.
- Administration costs represent 18 percent of the total expenditures of the Zoo Bond Program through Dec. 31, 2010. It is expected that with the completion of the master plan and resolution of the land use issues, administrative costs will decline as a percentage of total bond project costs. These costs should be monitored as the bond program moves forward, but do not appear unreasonable. The overhead allocation by Metro for support services is consistent with other Metro programs.
- There is an assumption that the ongoing operating costs of the zoo will be neutral upon completions of the Zoo Bond projects, given the enhancements and efficiencies gained through new technologies. We believe this assumption should continue to be tested in order to allow reasonable financial planning by the staff of the Oregon Zoo.
- Financing costs are minimal at this stage, and the Metro finance team will schedule the amount and timing of future bond issuances. Given the limitations on bond issuance as related to cash flow needs, the timing and scheduling of projects could have significant impact on the overall cost of the bond program, particularly if interest rates rise. At this point, obtaining the necessary land use approvals appears to be the main project schedule risk.

- The annual audit report was issued on Dec. 2, 2010 by Moss Adams. The auditors reported that nothing came to their attention that caused them to believe that Metro failed to comply with the provisions of the 2008 Zoo Bond Measure. No specific management letter comments were made and the audit report was published on Jan. 20, 2011 in *The Oregonian*.

### REQUIRED REPORTING ITEM 3

#### **Consider and recommend project modifications intended to account for increases in construction costs in excess of budget estimates**

We are not recommending any project modifications at this early stage in the Zoo Bond Program. Once the master plan is completed, we will review cost estimates and phasing of the bond projects, and we will continue to monitor these items over the life of the projects.

#### **Follow-up on the November 2009 Metro Auditors Report**

Metro Auditor Suzanne Flynn issued an audit report in November 2009 titled, "Oregon Zoo Capital Construction: Metro's Readiness to Construct 2008 Bond Projects." The Committee reviewed the report and the Metro Auditor presented the highlights of the report to the Committee and gave us the opportunity to ask her questions. The Zoo Bond Program director prepared a status report on the implementation of the report's recommendations and presented this report to the Committee in May 2010.

Overall, based on the status report and follow-up discussions with the Zoo Bond Program director, and our level of visibility of the workings of the Zoo Bond Program through prepared meeting materials, we believe that the Metro Auditors concerns have been/are being addressed. However, that conclusion is subject to the Metro Auditor's follow-up audit, expected to occur in the spring of 2011.

## Appendix A – Committee Membership

### **Sheryl Manning – Committee Chair**

Sheryl is a certified public accountant, no longer practicing; formerly at PricewaterhouseCoopers and Arthur Andersen. As a Professional Board Member, she is currently active on both corporate and nonprofit/community boards in leadership roles. Sheryl is former Commissioner, Chair, and Interim General Manager of MERC.

### **Deidra Krys-Rusoff – Committee Vice Chair**

Deidra Krys-Rusoff is a portfolio manager and a member of the fixed income team at Ferguson Wellman Capital Management. Krys-Rusoff is a native of Idaho, and earned her B.A. in zoology from the College of Idaho. She is on the board of directors of the Northwest Taxable Bond Club, past board member of the Junior League of Portland, and serves on several committees at Glencoe Elementary School.

### **Marcela Alcantar**

Alcantar & Associates LLC was created to fulfill a personal and professional mission to provide exceptional engineering support services that result in effective, livable communities that are truly dynamic. They strive to educate and enlighten young students, especially under-represented groups interested in the engineering field, on many of their projects. Alcantar & Associates LLC is certified in Oregon as a WBE/MBE/DBE/ESB (2395) design consulting and surveying support services firm. Its mission is to provide technical excellence in finding efficient and cost-effective solutions to meet our client's needs. The company utilizes the latest equipment and computer software to produce quality construction documents and mapping.

### **Jacqueline Bishop**

Jacqueline Bishop is an associate attorney at Roberts Kaplan, LLP, where she participates in the real estate, business, and sustainability practice groups. Jacqueline is a board member of We Love Clean Rivers, Inc., a representative on the Oregon State Bar's Sustainability Task Force, and a LEED Accredited Professional. Before graduating from Lewis and Clark Law School, Jacqueline worked as a wetlands and fisheries biologist.

### **Stephen D. Bloom**

Executive Director since 2005, Steve Bloom came to the Portland Japanese Garden with a dynamic background in creating new and exciting opportunities for non-profit organizations. Steve was a 2008-09 Council on Foreign Relations International Affairs Fellow in Japan, sponsored by Hitachi, Ltd. and concurrently served as Visiting Scholar at Tokyo University of Agriculture. Most recently he served as President of the Honolulu Symphony (2000-2005) and prior to Honolulu, showed early success at the age of 27 when he served as Executive Director of the Tacoma Symphony (1996-2000).

### **David Evans**

David Evans has been the Controller of The ODS Companies for eight years and was promoted to Vice President in 2009. He brings a broad knowledge of financial planning and budget management



## Appendix A – continued

to his role. Dedicated and detail-oriented, Dave is responsible for the company's day-to-day accounting and finance activities, including financial reporting, compliance and budgeting. Prior to joining ODS, Dave spent seven years in the audit practice of PricewaterhouseCoopers. While at PricewaterhouseCoopers, Dave worked with clients in several industries, including forest products, retail, real estate and insurance. Dave earned his Bachelor of Science degree from Oregon State University and is an active certified public accountant. In 2005, he participated in the Portland Business Alliance's annual Leadership Portland program and for the past several years has been involved in the Oregon Society of Certified Public Accountants (OSCPA) mentoring program, through which he helps educate accounting students and guide them on a career path. Dave is a member of the Natural Areas Bond Oversight Committee.

### **Greg Gahan**

Greg is a near life-long resident of the Portland Metropolitan area with Engineering and Business degrees from Oregon State University and Portland State University respectively. Greg has 25 years of commercial construction management experience in the Metro area.

### **Anne English Gravatt**

Ann English Gravatt is the policy director with the Renewable Northwest Project (RNP), a nonprofit organization promoting renewable energy resources in the Pacific Northwest. Prior to joining RNP in 2002, Ann practiced natural resources and energy law in Portland and Washington, D.C. She holds a J.D. from George Washington University and a B.A. from the University of Richmond. Ann and her husband are the parents of two young children (ages 4 and 1) and are very frequent visitors to the Zoo.

### **Jim Irvine**

Jim Irvine is Chairman & CEO, the Conifer Group, a 65 year old family owned home building, land development and property management firm. The company is also a licensed Real Estate Brokerage in Oregon and Washington. The company has had a full practice in design development and construction for housing for those with the most severe housing needs to housing for the more affluent. The company has received national recognition for innovation and sustainable design and is a founding member of the US Green Building Council.

### **Benjamin Jackson**

Benjamin Jackson, a freshman at Clackamas High School has been active in the following committees; Student Leader - REAP Inc., Peer Mediator - ROWE Middle School, Student Leader - CAFE (Children & Family Enrichment) Program - Metropolitan Family Services, Club Member - DACC (Diversity at Clackamas Club) - Clackamas High School, Crew Leader - Senator Margaret Carter Annual Block Party, Clackamas Orchestra Solo & Ensemble Festival, Club Leader - Wattles Boys & Girls Club, Club Member - KEY Club, Children's Ed. Instructor - Cathedral of Praise Ministries.



## Appendix A – continued

### **Tony Jones**

Tony Jones is the executive director of MCIP and is responsible for overall operation of the organization. He has 20 years experience in economic development, construction and affordable housing; 8 years experience in affordable housing development working for non profits and the Housing Authority of Vancouver; and 11 years of experience in providing small business development services through his work as the coordinator of the Contractor Support Program through the Housing Development Center. He is a business lender with ShoreBank Enterprise Cascadia. In his roles, Tony has worked with many of the public agencies, non profits and prime contractors in the region and has garnered an excellent reputation by being accountable and providing quality and reliable services.

### **Carter MacNichol**

Carter MacNichol is a managing partner for local urban developer Shiels Oblatz Johnsen, Inc. and managing member for Sockeye Development LLC. His prior experience includes real estate management and development for Port of Portland, Project Manager for Portland Development Commission, and teaching for the Oregon City School District. Carter is currently active on several boards: The Oregon Zoo Foundation, The Nature Conservancy of Oregon, and Oregon I Have a Dream Foundation. His past board experience includes Portland Children's Museum and Portland Community Land Trust.

### **Kelly Peterson**

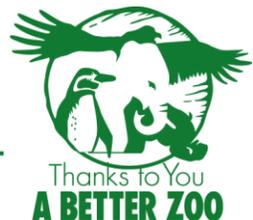
Kelly Peterson is the Vice President of Field Services for The Humane Society of the United States (HSUS), which includes managing their state-based regional system from her home base in Portland. As a native Oregonian, Kelly also handles Oregon state legislation for The HSUS, where she recently collaborated with the Oregon Zoo to successfully advocate for the passage of legislation to ban dangerous exotic animals as household pets.

### **Ray Phelps**

Ray Phelps, serving as the Assistant to the Secretary of State, was responsible for Oregon Elections, Oregon Administrative Rules, Uniform Commercial Code, budgeting for the Secretary of State's office, including presenting the Secretary's budget to Legislative Ways and Means Committee for approval, financial management of the Secretary's office, and personnel. Phelps was also the former Metro CFO and Director of Administration. This position preceded the addition of the procurement office and the independently elected auditor at Metro.

### **Penny Serrurier**

Pendleton ("Penny") Serrurier is a member of Stoel Rives LLP, practicing in the areas of tax-exempt organizations, charitable giving, estate planning and administration, business succession planning, and personal tax planning. Penny represents tax-exempt organizations and advises on all aspects of governance, compliance, and tax-related matters. She has served on several local boards and is past chair for The Oregon Zoo Foundation board of trustees.



## Appendix A – continued

### **Michael Sestric**

Michael Sestric is a self-employed architect, providing independent space programming, budgeting and project management services for educational, health care and non-profit organizations.

### **Bob Tackett**

Bob Tackett has been in the Labor movement for over 35 years, primarily with the Steelworkers. He was employed at Reynolds Metals Company in Troutdale until the plant closed. Bob worked for the Oregon AFL-CIO as the Labor Liaison until elected as the Executive Secretary Treasurer for the NW Oregon Labor Council, AFL-CIO.

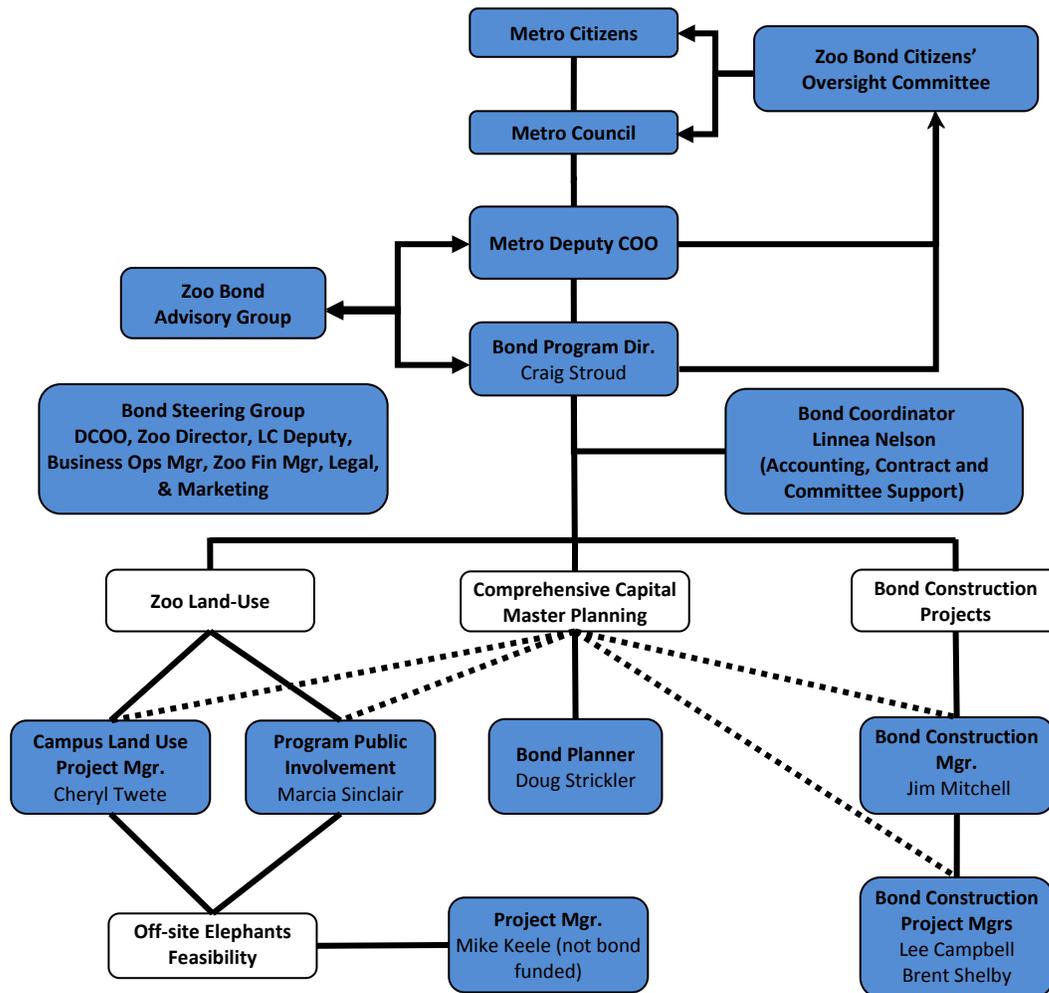
### **Carol Welch**

Carol is currently the Vice President of Corporate Audit for Nike Inc. She joined Nike in June 2000. Prior to Nike, she held a number of Accounting and Auditing positions in the banking and energy industries. She is a Certified Internal Auditor with a Bachelors in Psychology ('84) and a Masters in Business Administration ('87), both from the University of Utah. She served over 5 years as a private sector member of the Oregon State Audit Advisory Committee.



## Appendix B

### A Better Zoo Program Organization Structure



**External Consultant Contributions**

- Zoo Land-Use: Multi-disciplinary consulting team primarily supporting effort that is led by Cheryl Twete.
- Comprehensive Capital Master Planning: Multi-disciplinary team primarily supporting effort with contract managed by bond planner, Doug Strickler.
- Bond Construction Projects: Design consultants and construction contractors managed by bond project managers. Jim Mitchell, group manager; Lee Campbell and Brent Shelby, project managers.

**Zoo Staff Contributions**

Animal Welfare, Guest Experience, Conservation Education, Public Relations

**Metro Contributions**

Public Involvement: Led by Marcia Sinclair, support from Zoo Marketing and Metro Communications staff.

