



Oregon Zoo Bond  
Citizens' Oversight  
Budget Subcommittee  
Meeting  
Feb. 16, 2017  
Minutes

## Zoo Oversight Budget Subcommittee Meeting #2

A subcommittee of the  
Oregon Zoo Bond Citizens' Oversight Committee  
Sunset Room, Oregon Zoo  
Thursday, Feb. 16, 2017  
11:30 a.m. to 2 p.m.

### MINUTES

#### MEMBERS PRESENT

Robyn Pierce, Subcommittee Chair  
Heidi Goertzen  
Susan Hartnett  
Ruth Shelly, Committee Chair  
Dick Stenson  
Karen Weylandt

#### AFFILIATION

Pierce, Bonyhadi & Associates  
Ferguson Wellman Capital Management  
Spectator Facilities and Development, City of Portland  
Portland Children's Museum  
Retired healthcare executive; community volunteer  
Providence Health & Services

#### MEMBERS ABSENT

Katherine Porras  
Kevin Spellman

#### AFFILIATION

Meyer Memorial Trust  
Spellman Consulting, Inc.

#### STAFF

Caleb Ford  
Jim Mitchell  
Joel Morton  
Don Moore  
Linnea Nelson  
Heidi Rahn  
Scott Robinson

Metro Assistant Finance Director  
Oregon Zoo Bond Construction Manager  
Metro Senior Attorney  
Oregon Zoo Director  
Oregon Zoo Bond Program Coordinator  
Oregon Zoo Bond Program Director  
Metro Deputy Chief Operating Officer

#### **A. Welcome / Introduction**

Robyn Pierce, chair of the Budget Subcommittee ("the Subcommittee") of the Oregon Zoo Bond Citizens' Oversight Committee ("Oversight Committee"), opened the meeting at 11:37 a.m. and reviewed the agenda and Subcommittee guiding principles.

#### **B. Approval of Minutes of the Sept. 8, 2016, Budget Subcommittee meeting**

Members approved the minutes of the Sept. 8, 2016, Zoo Oversight Budget Subcommittee meeting.

#### **C. Zoo Update**

Don Moore, Oregon Zoo director, gave a brief zoo update. Packy, the elderly elephant, and two geriatric polar bears passed away this past year. The zoo has had to make difficult decisions regarding euthanizing animals when they are at the end of their life. Packy enjoyed time outside in the new Elephant Lands. The work of the bond program and the Oversight Committee is important,

especially as the program works to value engineer projects to fit the bond program budgets. The bond staff and keepers are working together on defining the Primate Habitat, and have gone through lots of revisions. The rest of the zoo animal collection is doing well, with the zookeepers who are experts in animal care.

Chair Pierce said she is impressed with the staff depth of knowledge of animals, noting the Polar Bear research, installation of a polar bear swim chamber and treadmill, and how much is accomplished with limited staff. Outside partnerships and the zoo's social media presence are beneficial.

Dr. Moore responded to a question about the challenges of treating tuberculosis in animals compared to people. He explained some of the differences, and that the zoo had consulted with many experts and taken utmost precautions in treating elephants and protecting staff and visitors.

**D. Evaluate remaining project scope, schedule and budget, and recommend adjustments**

Heidi Rahn, zoo bond program director, presented on the remaining project scope, schedule, budgets and recommended adjustments. She used a PowerPoint presentation, a copy of which is included with the record. She reviewed the subcommittee purpose: The goal is to recommend a strategy to the Oregon Zoo Bond Citizens' Oversight Committee regarding project modifications and allocation of the remaining bond funds. In 2011, each project was allocated a budget from the bond total of \$125 million, but current cost estimates for the remaining projects exceed the original budgets due to construction escalation and scope modification. Approximately \$12 million<sup>1</sup> is available in unallocated resources due to the premiums received on bond sales and contributions from the Oregon Zoo Foundation and other partners.

She reviewed the subcommittee work plan and accomplishments to date, the budget allocation process that goes to the Metro Council, and the subcommittee guiding principles previously agreed to by the Subcommittee, the full Oversight Committee and the Metro Council. Members edited the second guiding principle to refer to the "zoo's conservation priorities," instead of naming the zoo's Integrated Conservation Action Plan that is not complete yet. One member asked about the Public Employee Retirement System costs. Caleb Ford, Metro Assistant Finance Director, explained that those expected cost increases are already included in the project forecasted expenditures, and the guiding principles already reference financial forecasts as a factor to consider. He feels PERS is an important consideration and that the zoo and Metro are properly dealing with it.

Ms. Rahn reviewed the zoo bond ballot measure language for the remaining projects – Polar Passage, primate habitat and rhino habitat.

**Polar Passage**

Polar Passage will include all of the bond measure noted improvements. In January 2016, the cost escalation for Polar Passage was forecast to be \$3.6 million over the budget set in 2011. On Feb. 4, 2016, the Metro Council approved adding \$2.6 million from program contingency to the project budget, and the Oversight Committee recommended adding the additional \$1 million to the budget, if needed, after the bond sale later in February (if a bond sale premium was realized).

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<sup>1</sup> On Feb. 28, 2017, this program reserve amount was updated to \$12.5 million to reflect current data.

Since then, construction costs have continued to rise, and the total cost escalation forecast (forecasted out a year and a half from now) has increased to \$4.6 million over the budget set in 2011. Since 2011, the project scope has been modified to include more pools with saltwater, in accordance with best practices for marine mammal care. An increase in the saltwater system increases the project cost. Staff is now proposing to modify the project schedule to combine Polar Passage with the primate/rhino habitat projects, in order to realize more than \$1 million in cost savings. Staff is proposing a budget amendment of \$1 million to cover the cost escalation forecast. The scope changes would be covered by the savings gained by combining the construction with the primate/rhino habitat projects.

Members discussed the proposed increase in saltwater and its implications. Providing saltwater for the polar bears is not technically a standard yet, but it is likely to occur in the future. Marine mammal veterinarians speaking on behalf of the United States Department of Agriculture strongly recommend using saltwater for marine mammal exhibits. Informal conversations with representatives from the Association of Zoos and Aquariums indicated that providing saltwater for polar bears is the right thing to do for animal welfare, and it is expected to become a new AZA standard in the near future. Such a rule could put some zoos in a difficult position financially to comply. In the past, AZA has set saltwater standards for some other marine mammals, such as seals, and existing facilities were not grandfathered in, meaning that an existing facility not designed for saltwater still had to comply (in some cases, salt tablets were added to the pools, which is not ideal for the animals).

Members asked for clarification on the Manitoba standards and AZA standards for polar bears. The Manitoba standards are a requirement by Canada to protect bears from Manitoba that are housed in captivity when they become a hazard for the public. The AZA has used standards consistent with the Manitoba standards, in part to be able to qualify for receiving bears coming from Canada. Saltwater facilities have implications for increased construction and operational costs.

Dr. Moore indicated that the Oregon Zoo would be able to meet all other design considerations for polar bears. The current draft design for Polar Passage includes the increased saltwater pools, and it is proposed to be considered by the Metro Council in March as a scope modification. The estimated operational cost for the saltwater infrastructure is \$150,000 annually, but staff does not know how much more that is than it would have been without the saltwater increase.

Members asked about the possibility of outside grant funding for the saltwater infrastructure, especially given the research and environmental benefits it provides. Dr. Moore said grants do exist, and the zoo has been involved with some joint government projects. He hopes that operational money would flow from state and federal sources for such cooperative projects. Dan Ashe, director of the US Fish and Wildlife Service, will be speaking at the zoo's Education Center opening on March 2. He gave testimony about funding to Congress yesterday, and Dr. Moore said he would pass that information on to members later.

Polar Passage is estimated to be three times larger than the existing polar bear exhibit. The cost escalation estimates did not specify specific materials costs, but the majority of the cost escalation is probably for concrete and labor. The project does not have much drywall, so that is not a factor. Labor costs alone are huge.

Staff is proposing to use one construction contract for Polar Passage and the primate and rhino habitats. Members reviewed a map of the zoo (included with the record). Primates is at the center of the zoo, which is difficult for staging construction. By combining the three projects, Metro can have large savings in general contractor and general conditions costs. Access to the combined projects would be via Gate J on Kingston Road in Washington Park (near the Veterinary Medical Center), away from visitors. Combining the projects would shorten total construction time for all three projects from 30 months to 22 months. Permits for all three projects would be secured at once, but work on primates would start first. By consolidating the projects, the main zoo street would only need to be closed once for less time (although perhaps more completely), as opposed to twice if the projects are done separately. The combined projects may also allow for the use of a tower crane to move materials, another possible cost-savings. The group agreed constructability of the combined projects makes a lot of sense.

Members asked about reasons for not combining the projects. Construction could close off the zoo's main "zoo street" thoroughfare and BearWalk Café, but the café would not need to close the entire time. The project would be phased, potentially with the new café constructed first, to reopen the revenue stream. Staff is still working through mitigation plans, including the possibility of using food carts instead during construction to generate revenue.

Joel Morton, Metro senior attorney, indicated that it is legal to amend the existing contract for Polar Passage construction management general contractor to combine the three projects. Staff has talked to some industry representatives, who also believe it makes sense for constructability. Staff is making sure to have key stakeholders on board with it before proceeding. Metro only had three contractors propose for the Polar Passage CM/GC Request for Proposals. Most competition for the construction happens with the subcontractors, and that is still going to happen under the existing contract with Lease Crutcher Lewis. LCL is not self-performing any of the work, meaning that it provides more opportunities for COBID<sup>2</sup>-certified firms to get the bids. (The CM/GC would still have to bid it to get the self-performed work.)

Members asked about increased advantages for COBID-certified firms under the combined projects. Staff feels combining the projects provides increased opportunities for COBID firms. LCL was chosen as CM/GC partially for its diversity in contracting strategy, and its mentoring of COBID subcontractors. Its proposal was to have a 15 to 18 percent COBID utilization rate. The primate habitat has more buildings than the other two projects, requiring more steel and caging work that is more likely to have winning bids from COBID firms.

### **Primates**

The original scope for the primate habitat project was to add a new chimp and mandrill facility, without the existing primate facility being renovated. Staff is now proposing a scope modification to replace the existing building and habitat for chimps and gibbons, which was built in the 1950s. The newer orangutan building and habitat will be kept, since it is only seven years old. As previously noted, the proposed schedule modification is to construct the primate and rhino habitats along with Polar Passage. In addition, the project needs a budget amendment of \$2.6 million to cover construction cost escalation.

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<sup>2</sup> COBID refers to minority-owned businesses (MBE), woman-owned businesses (WBE), service-disabled veteran-owned businesses (SDV), and emerging small businesses (ESB), as defined under Oregon State law in ORS Chapter 200 and as certified by the Certification Office of Business Inclusion and Diversity.

The changes would mean some reduction in primate species, but this would enable the zoo to build better habitats for the species it keeps, and zookeepers are working on that plan. (The reduction in primate species was the direction the zoo was going anyway, prior to the primate project scope changes.)

Members asked what had changed since approval of the bond measure since it did not include taking down the old primate building. The original ballot measure in 2008 had a series of projects, but did not have actual costs determined, since a zoo master plan had not yet been done. The zoo's Comprehensive Capital Master Plan, completed in 2011, determined cost estimates and what could be built, with the priority to meet the public promise of the bond measure for animal welfare. The master plan identified two phases, with only the first phase funded by the bond measure. Replacing the existing primate building was in the second phase (not funded by bond funds). But the master plan is now more than five years old, and given the promise of the bond measure for improving animal welfare, it does not seem appropriate to leave the old primate buildings to phase two, since they are so old and not functional buildings. Also, the zoo can realize cost savings by replacing them in conjunction with the other primate construction, rather than later.

By the end of the bond program, the master plan will be nearing the end of its useful life, and so staff has proposed reserving some bond funds to update it. The zoo's work to establish a conservation strategy framework is continuing and will inform an update to the master plan, although the Integrated Conservation Action Plan (ICAP) document is temporarily stalled. It will be an integrated, living document that is used by keepers and informs the zoo's activities. The primate habitat will be a pilot project for implementing the new ICAP.

It is not common for zoo's to have a conservation action plan, and the Victoria, BC, zoo is one of the few that does. The Oregon Zoo is on the cutting edge of conservation work, in that it already is doing much conservation work and challenges visitors to take action and have challenging conversations. Dr. Moore also brings much experience to that work. Members noted the need to communicate to the public that the zoo is at the forefront of conservation work, and that many factors, such as indicator species and conservation impact, affect the species selection for the zoo. The ICAP overlay can easily be applied to the primates project to tell a story and inspire action.

Members asked about whether the current plans have an element of what other zoos are doing, and whether it is best to not do the same as what other zoos are already doing. Staff explained that the Oregon Zoo has truly taken a leadership role in conservation, addressing it with elephants, deforestation, palm oil, and addressing these issues with other species, including orangutans. The new Education Center messaging will also link back to that as well.

The Oregon Zoo Foundation has not yet made a specific contribution commitment for the primate habitat project, since it cannot effectively fundraise in such a short timeframe for two projects.

### **Rhino Habitat**

The rhino habitat project does not have scope modifications and, as a very small project, will be built together with the primate habitat project. This project is estimated to have a cost escalation of \$111,000, which is included in the \$2.6 million amendment proposed for the primate/rhino project.

### **Sustainable Infrastructure**

The current scope of sustainable infrastructure work has been water and electrical utility upgrades associated with the bond projects. Staff proposes to add electrical utility upgrades on campus to support safety and animal welfare, which would be covered by a \$1.5 million proposed budget amendment. This includes the replacement of two electrical generators and their associated electrical panels. (Elephant Lands is on its own generator.)

### **Program Administration**

Staff is proposing a budget amendment of \$3 million<sup>3</sup> to cover program administrative costs that exceed the original budget, but are comparable to other local public bond-funded projects. Members questioned whether this would be enough, and Caleb Ford, Metro assistant finance director, assured them he had used conservative estimates and that this will cover costs.\*

*\*Subsequent to the Feb. 16, 2017, meeting and per the Subcommittee's request, staff clarified the amount for the program administration proposed budget amendment: The estimates outlined in the administrative cost memo to the Oversight Committee dated Jan. 25, 2017, from Caleb Ford and Heidi Rahn, set the total administrative costs forecast for the bond program at \$7.2 million. That forecast has not changed since that memo. The proposed budget amendment for program administration was rounded to \$3 million in the presentation at the Feb. 16 Budget Subcommittee meeting. The presentation sent to the Subcommittee on Feb. 28, 2017, listed it more specifically and accurately as \$3.3 million. See the administrative memo for more detail on the administrative cost forecast.*

### **Contract Options**

Combining the primate/rhino project design and construction with Polar Passage is estimated to save a minimum of \$1.3 million dollars from contracting efficiencies, providing the ability to support animal welfare, conservation education and sustainable infrastructure investments.

### **Bond Project Close Out**

Staff is proposing a budget amendment to hold \$1 million for adjustments and modifications to the projects that may be needed make sure the projects are whole, and address any project functioning. The timeline to complete all the projects is mid-to-late 2020. The construction project manager would likely stay on six to 12 months after that to address any issues and close out the contracts and projects.

### **Remaining Contingency**

Staff is proposing to hold \$1.6 million<sup>4</sup> as unallocated contingency for sustainable infrastructure upgrades, master plan update and remaining project needs. This contingency is approximately 3 percent of the remaining program resources. In addition, these funds could help to cover additional knowledge that will surface on the design of the projects. It is still very early in design. The design consultant, CLR, is confident it can do all three projects in one year, which was the timeframe for Polar Passage design.

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<sup>3</sup> On Feb. 28, 2017, this cost projection was updated to \$3.3 million to reflect current data.

<sup>4</sup> On Feb. 28, 2017, this unallocated amount was updated to \$1.8 million to reflect current data.

Any unspent bond money needs to be spent on zoo capital projects that meets definitions of the bond measure, and cannot go back into the Metro general fund. It also cannot be used for animal acquisition, which is not a capital cost.

**E. Evaluate recommended budget allocation**

Ms. Rahn summarized the draft recommended allocation. The zoo currently has approximately \$12 million<sup>5</sup> unallocated, and the combined proposed budget allocations would leave \$1.6 million<sup>6</sup> remaining as unallocated:

	<b>\$12 million</b>	<b>Updated Feb. 28*</b> <b>\$12.5 million</b>
Admin cost adjustments	(\$3.0 million)	( <del>\$3.3 million</del> )
Electrical infrastructure	(\$1.5 million)	(\$1.5 million)
Contingency for bond close out	(\$1.0 million)	(\$1.0 million)
Polar Passage – OZF	(\$1.3 million)	(\$1.3 million)
Polar Passage – cost escalation	(\$1.0 million)	(\$1.0 million)
Primate – cost escalation	(\$2.6 million)	(\$2.6 million)
<b>Remaining unallocated**</b>	<b>\$1.6 million</b>	<b>\$1.8 million</b>

*\*On Feb. 28, 2017, subsequent to this meeting, these cost projections and program reserves were updated to reflect current data.*

**\*\*Hold through design development phase for polar passage and primate/rhino, infrastructure, and/or master plan update**

On February 2, 2017, the Oregon Zoo Foundation Board of Trustees unanimously approved a funding request granting \$2.2 million to the Oregon Zoo for Polar Passage, and agreed to conduct a capital campaign in support of that grant. OZF is requesting that the Metro Council allocate \$1.3 million of the unallocated reserves toward Polar Passage to provide certainty to the construction budget, pending the outcome of OZF’s capital campaign. These funds were previously provided by OZF to the bond program to support implementation of the master plan, and are currently unallocated. OZF has committed to providing from its current reserves the additional \$900,000 needed to provide certainty to the construction budget. OZF funding is more flexible than bond funds in terms of the purposes for which it can be used.

**F. Identify additional questions or suggestions for staff to analyze prior to next meeting**

Oversight Committee Chair Shelly recommended staff be prepared to talk about the delta in operational costs of freshwater vs. saltwater systems. Ms. Rahn explained that the zoo’s finance manager is analyzing the projected operational costs of the projects. The saltwater systems use less water than freshwater systems due to backwash recovery tanks.

Susan Hartnett suggested that staff look at the fact that capital replacement occurs sooner for saltwater systems than for freshwater systems. She suggested thinking about the capital

<sup>5</sup> On Feb. 28, 2017, this program reserve amount was updated to \$12.5 million to reflect current data.

<sup>6</sup> On Feb. 28, 2017, this unallocated amount was updated to \$1.8 million to reflect current data.

replacement of all vital equipment for animal welfare and for meeting conservation commitments, and how those costs affect what allocation decisions the Committee is thinking about now.

Karen Weylandt requested seeing at the next meeting a map overlay of the expanded footprint of Polar Passage and primate/rhino projects over the existing habitats.

Ms. Shelly would like the full Committee to recognize that the loss of zoo revenue would be minimized by combining the three remaining projects. Staff agreed to look at providing the revenue differential of the projects combined and separate. Mr. Ford noted that the zoo has become very proficient at mitigating during construction, to recover lost revenue (e.g., summer concerts).

Members agreed to add to the 2017 Committee annual report a commendation to staff for continuing zoo operations with minimal impact to zoo operations. Mr. Robinson noted that the Oversight Committee supported using CM/GC contracts, which helped minimize revenue impacts during construction.

Ms. Hartnett suggested firmer knowledge about combining the three projects under the existing CM/GC contract, to establish that it meets all requirements and needs. She also suggested a recap rundown of the cost escalation and what elements are included. Although it had been talked about before, she felt a refresher will make it easier to approve the cost escalation portion of the recommendation. With those two pieces of information, she is ready to support the recommendation.

Ms. Weylandt said staff needs a really clear explanation of the cost savings of combining the remaining projects.

Ms. Rahn summarized three main items about which the committee was requesting more information: operational costs, cost escalation, and CM/GC contract and combined cost savings.

## **G. Adjournment**

Chair Pierce adjourned the meeting at 1:14 p.m.

### **Upcoming meetings:**

#### **Budget Subcommittee meeting**

Meeting #3: February 28, 2017, 2-4 p.m. in the Kalahari Room at the Oregon Zoo  
(subsequently cancelled due to low attendance; materials sent via email for email vote)

#### **Full Oversight Committee special one-hour meeting**

Regarding allocation of remaining bond program funds

**Thursday, March 9, 2017, 4-5 p.m.** in the Vista Room at the Oregon Zoo, 4001 SW Canyon Rd., Portland

#### **Regular Oversight Committee meetings, Wednesdays, 3 to 5 p.m.:**

May 10, 2017 Conservation Hall, Education Center, Oregon Zoo

Sept. 13, 2017 Skyline Room, Oregon Zoo

Nov. 8, 2017 Skyline Room, Oregon Zoo