



**Oregon Zoo Bond
Citizens' Oversight Committee**

Vista Room, Oregon Zoo
Thursday, March 9, 2017
4 to 5 p.m.

Oregon Zoo Bond
Citizens' Oversight
Committee Meeting

March 9, 2017

Agenda

AGENDA

ITEM	ACTION	LEAD	TIME
A. Welcome / Introductions <ul style="list-style-type: none"> • Agenda overview 	Review	Ruth Shelly	4:00–4:05
B. Minutes of Feb. 8, 2017 Committee meeting	Approve	Ruth Shelly	4:05–4:10
C. Proposed budget allocation for the remaining bond funds <ul style="list-style-type: none"> • Budget Subcommittee recommendation <p style="padding-left: 40px;">Approved minutes of the Sept. 8, 2016, Budget Subcommittee meeting #1</p> <p style="padding-left: 40px;">Approved minutes of the Feb. 16, 2017, Budget Subcommittee meeting #2</p> <p style="padding-left: 40px;">Vote Record via email for cancelled Budget Subcommittee meeting #3, scheduled for Feb. 28, 2017</p>	Approve	Heidi Rahn Robyn Pierce	4:10–4:50
D. Open Discussion/Questions	Discuss	Ruth Shelly	4:50–5:00

Upcoming 2017 meeting dates –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



Oregon Zoo Bond Citizens' Oversight Committee

Oregon Zoo – Skyline Room
Wednesday, Feb. 8, 2017
3 to 5 p.m.

Oregon Zoo Bond
Citizens' Oversight
Committee Meeting

Feb. 8, 2017

Minutes

MINUTES

MEMBERS ATTENDING

Ruth Shelly (Chair)
Noah Bishop (via speakerphone)
Linda S. Craig
Heidi Goertzen
Susan Hartnett
Mickey Lee
Jill Mellen
Daniel Morris
Robyn K. Pierce
Katherine A. Porras
Christi L. Taylor
Karen Weylandt

AFFILIATION

Portland Children's Museum
Bishop Bankruptcy Law, LLC
Retired CPA; nonprofit treasurer
Ferguson Wellman Capital Management
Spectator Facilities and Development, City of Portland
MPower Oregon
Research Biologist
Our Oregon
Pierce, Bonyhadi & Associates
Meyer Memorial Trust
Miller Nash Graham & Dunn
Providence Health & Services

MEMBERS ABSENT

Dan Aja
Deborah Herron
Mike Schofield
Kevin Spellman
Dick Stenson
Tom Turnbull

AFFILIATION

Banfield Pet Hospital
Walmart
Gresham-Barlow School District
Spellman Consulting, Inc.
Retired healthcare executive; community volunteer
OpenSesame Inc.

GUESTS

None

AFFILIATION

ELECTED OFFICIALS AND STAFF

Shirley Craddick
Caleb Ford
Jim Mitchell
Don Moore
Joel Morton
Linnea Nelson
Heidi Rahn
Scott Robinson
Marcia Sinclair

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

A. Welcome / Introduction

Ruth Shelly, Oregon Zoo Bond Citizens' Oversight Committee Chair, opened the meeting at 3:04 p.m.

B. Approval of Nov. 9, 2016, Oversight Committee meeting minutes

Members approved the minutes of the Nov. 9, 2016, Oregon Zoo Bond Citizens' Oversight Committee ("Oversight Committee" or "the Committee") meeting.

A question was asked about the Integrated Conservation Action Plan report referenced in the last meeting. Dr. Don Moore, Oregon Zoo director, indicated that it is progressing slowly, and will be shared with the Committee when finalized.

C. Zoo Update

Dr. Moore gave a zoo update. He invited members to attend the new zoo Education Center grand opening on Thursday, March 2 at 10 a.m., along with representatives from the United States Fish and Wildlife Service, the Association of Zoos and Aquariums, many partners and the community. KinderCare Education is sponsoring opening events that will continue through the weekend of March 4 and 5, including public open houses and wildlife talks throughout the month. Staff and teens are moved into the new facility, and insects and turtles are coming next, and the interior and landscaping final touches are being completed.

The zoo recently received notice that the zoo has been awarded a Portland General Electric grant for \$385,334 to support the solar array on the Education Center roof that will help the building attain net-zero energy operations.

Despite the ice and snow, the zoo had a great winter season, with record crowds at ZooLights and strong revenue from the new food and beverage offerings.

The zoo's Veterinary Medical Center saw a small miracle when Kiko, the Colobus monkey, had eye surgery that restored his site. Prior to that, he was unable to move well around his habitat. This is a great example of how the zoo meets its high standards for animal welfare.

So far this season, condors at the zoo's condor center in Clackamas County have laid six eggs that are incubating. This is part of the zoo's ongoing commitment to helping restore this endangered species.

The Oregon Zoo Foundation has committed to a campaign to raise \$2.2 million dollars to support the Polar Passage project by funding an interpretive area, a training and demonstration area, and a maternity habitat and den.

D. Zoo Bond Program Equity in Contracting Quarterly Report, January 2017

Heidi Rahn, zoo bond program director, spoke about the Zoo Bond Program Equity in Contracting Quarterly Report for January 2017, included with the meeting packet and posted on the zoo's website. This is an update to the first report issued in September 2016. As requested by the Committee, this update includes successes about diversity in contracting for the design firms for the Education Center and Polar Passage projects. The report details the bond program's outreach and utilization of minority-owned businesses (MBE), woman-owned businesses (WBE), emerging small businesses (ESB), and service-disabled veteran-owned businesses (SDV) that are certified by the state's Certification Office of Business Inclusion and Diversity (COBID-certified firms).

Ms. Rahn highlighted Metro's Construction Careers Pathway project that just released a request for proposals for a regional workforce diversity study to assess the region's construction workforce

supply and demand outlook to better understand its overall capacity to meet growing demands, its current composition as it relates to the increasing demand to provide more diversity across the trades, and the existing opportunities for future workforce growth across the overall regional industry. Metro is working to bring all the players to the table to better address demand. Metro also hosted a Workforce Diversity Summit at the zoo in November 2016 with 91 attendees.

Ms. Rahn acknowledged Mickey Lee, who had assisted Metro in reviewing the scope of work for the workforce diversity study and identifying potential partners. Chair Shelly thanked the Committee for its role in requesting the quarterly equity in contracting report, and staff for producing it.

E. Oversight Report Annual Report Preparation

Chair Shelly led members in reviewing a rough draft of the Committee's annual report covering the zoo bond program activities for the calendar year 2016. The report will be presented to the Metro Council later this spring, and includes the Committee's recommendations from 2015 with an update on the outcomes of those recommendations, and new recommendations for 2016. Each year's report will follow this format, and has built-in accountability. The report covers the major reporting areas required by the bond measure, including progress on projects and financial review of spending and resources. In addition, the report focuses on the bond measure priorities of animal welfare and sustainability, and diversity in contracting.

Chair Shelly reported on the subcommittee that had reviewed program progress, and Robyn Pierce reported on the subcommittee that had reviewed program finances.

Members discussed whether the report should cover measurable recommendations for operational impacts, with some members noting that this was not the intent of this report. Some suggested shortening the report, or at least making it easier for the reader to understand the main points, perhaps with an executive summary, such as the letter from the Committee chair in last year's report. The current format has some redundancy with the program initiatives in the front section and project details later. Some suggested providing links within the report and to external resources. Members further discussed details of the report, asked for clarifications, and recommended edits. Members reviewed and complimented three charts they had requested to be included in this year's report, to graphically show spending and resources.

Members thanked Chair Shelly for her leadership on the report, and for using it as a tool in each Committee meeting, with the recommendations referenced on the agendas. Chair Shelly commended and thanked staff and Committee members for their work preparing the report draft on time, despite the recent wintry weather that caused lost work days.

F. Monthly Project Updates

1. Education Center – none
2. Polar Passage – Staff and the team are working to get the project design in budget, and significant progress has been made in the past two weeks. Staff is also looking at efficiencies in limiting the construction impact on the visitor experience and will bring it to the Budget Subcommittee to consider, including possibly changing the primate habitat project schedule.
3. Interpretive Experience – none
4. Percent-for-Art – none

G. Program Status and Financial Information at a Glance

The forecasted total administrative program costs have been updated to \$7.2 million, to reflect current data.

H. Program Schedules – none

I. Adjournment

Chair Shelly adjourned the meeting at 4:45 p.m.

Upcoming 2017 meeting dates –Wednesdays, 3 to 5 p.m., unless otherwise noted:

Budget Subcommittee	TBD days and times in February 2017
March 9, 2017, 4 to 5 p.m.	Vista Room, Oregon Zoo
May 10, 2017	Conservation Hall, Education Center, Oregon Zoo
Sept. 13, 2017	Skyline Room, Oregon Zoo
Nov. 8, 2017	Skyline Room, Oregon Zoo



Zoo Oversight Budget Subcommittee Meeting #1

A subcommittee of the
Oregon Zoo Bond Citizens' Oversight Committee
Sunset Room, Oregon Zoo
Thursday, Sept. 8, 2016
2 to 3:30 p.m.

MINUTES

MEMBERS PRESENT

Robyn Pierce, Subcommittee Chair
Susan Hartnett
Ruth Shelly, Committee Chair
Kevin Spellman
Dick Stenson
Karen Weylandt

AFFILIATION

Pierce, Bonyhadi & Associates
Spectator Facilities and Development, City of Portland
Portland Children's Museum
Spellman Consulting, Inc.
Retired healthcare executive; community volunteer
Providence Health & Services

MEMBERS ABSENT

None

AFFILIATION

STAFF

Caleb Ford	Metro Assistant Finance Director
Jim Mitchell	Oregon Zoo Bond Construction Manager
Joel Morton	Metro Senior Attorney
Linnea Nelson	Oregon Zoo Bond Program Coordinator
Heidi Rahn	Oregon Zoo Bond Program Director

A. Welcome / Introduction

Heidi Rahn, zoo bond program director, opened the meeting at 2:03 p.m. and reviewed the agenda. She used a PowerPoint presentation, a copy of which is included with the record. The group agreed to select a subcommittee chair at the end of the meeting.

B. Subcommittee purpose and work plan

Ms. Rahn reviewed the subcommittee purpose and work plan. The goal is to recommend a strategy to the Oregon Zoo Bond Citizens' Oversight Committee regarding allocation of the remaining bond funds. This group will make a strategic difference for the bond program in prioritization of funds, and is not just a "rubber stamp." The group reviewed the five subcommittee objectives and tasks for the three planned meetings, as outlined in the draft work plan. The Oversight Committee charter outlines the committee's role to "consider and recommend project modifications if inflationary increases in construction costs exceed current budget estimates."

C. Budget allocation process

The Zoo Bond Steering Group is the internal bond executive team that prioritizes project needs and budget recommendations. That group will work through an analysis of options over the next few months, and will bring those options and their recommendations to the subcommittee for guidance.

The subcommittee is to identify scope, schedule and budget recommendations and make a recommendation to the full Oversight Committee, which will vote and make a final recommendation. Bond staff will take that feedback to the Metro Council, whose approval is required to make changes to scope, schedule or budget of zoo bond projects. Staff hopes to complete that process by January or February 2017. This is planned as a one-time process that the Oversight Committee will not need to repeat. Ruth Shelly noted that there may be flexibility within the newly recommended budgets for each project to accommodate some changes.

D. Bond program remaining scope, schedule and budget

One member suggested that the work plan state that the project allocation be within the bond law and objective. Robyn Pierce suggested that the subcommittee prepare the financial portion of the 2017 Oversight Committee annual report. All agreed, but have the option of declining later. Ms. Rahn noted that four to six new members will be joining the Committee in the coming months, some of whom will attend the Sept. 14, 2016, Committee meeting, and many of them come with financial backgrounds. It may be beneficial to add in some new people to the report preparation process.

The group reviewed the financial spreadsheet “Project Status and Financial Information at a Glance.” The bond program has a little more than \$11 million to allocate, and is fortunate to be in this strong financial position. The program budget includes \$6,018,000 from the Oregon Zoo Foundation, which includes \$1.3 million that was not spent on the Remote Elephant Center project, which the Metro Council decided not to pursue. Those funds are unrestricted funds. OZF does not need to approve a new allocation of those funds, but staff will go before the OZF board as part of the process, to assure that the money is spent for the purposes of the bond, including animal welfare, conservation education and sustainability. (Some of the OZF funds were restricted to a project, such as a little more than \$3 million for Elephant Lands, but other funds were unrestricted.)

One of the items the subcommittee will address is an expected budget shortfall for bond program administration.

Members reviewed the “Unallocated amount held for contingency” column on the spreadsheet that breaks down the \$11,561,759 total to be allocated. Sources of the unallocated funds include the unspent bond funds from the Remote Elephant Center project, premium funds received on the bond sales, and donations from the Oregon Zoo Foundation. All of this program contingency of more than \$11 million is above and beyond the individual project contingencies, which are built into each project budget.

E. Cost escalation assumptions for remaining bond projects

Heidi Rahn reviewed cost escalation figures. The Polar Passage project was originally budgeted in 2011 with a cost escalation estimate of 6 percent. Actual escalation to date, plus forecasted escalation at the start of construction in 2017, is estimated to be 18 percent. This is 4 to 4.5 percent escalation per year for 2011 to 2017. Jim Mitchell, construction manager, indicated that both Mortensen Construction and Turner Construction are indicating 4.5 percent annual escalation. Rider Levett Bucknall, which is usually a little low, is indicating 4 percent per year cost escalation for Jan. 2012 to Feb. 2017.

Staff asked members if these cost escalations are the same as what they are seeing in their projects and the market. Kevin Spellman, a construction consultant and current chair of the Bond Accountability Committee for Portland Public Schools' bond program, and Karen Weylandt, chief planning and design officer for the five-state Providence Health & Services system, concurred that they are seeing similar annual cost escalation in their construction projects.

Mr. Mitchell noted that in 2015, there was 9 percent cost escalation. Structured steel and decking went up 19.5 percent in one quarter. It was not so much a labor increase as a materials increase. The next step is to verify cost escalation assumptions with the remaining project budgets. The current estimate for the bond Primate/Rhino project is 22 percent cost escalation. Staff will continue to closely monitor cost escalation on the Polar Passage and other bond projects.

Members asked if specific parts of remaining projects have unusual cost considerations. Mr. Mitchell said the remaining projects are not nearly as heavy on steel as Elephant Lands. They will have a lot of concrete, which does not fluctuate as much, and they will have a lot of civil work. Ms. Rahn added that some animal welfare standards are changing that could influence costs.

Mr. Spellman suggested looking at the broad market for cost escalation. When a project gets to bidding out the work, it is a matter of how hard the construction management/general manager works to get competitive bids. Some projects have unique aspects, so they have to use different strategies to get low bids. In a competitive market, some contractors do not want to hassle with public projects.

Susan Hartnett recommended checking with the city of Portland Bureau of Development Services and Bureau of Environmental Services for any upcoming code changes that could also affect project cost. Ms. Hartnett offered to check with the city on behalf of the bond program. City of Portland permitting timeframes are changing and affecting projects.

Members asked if the reservoir construction in Washington Park would be affecting the zoo bond construction. Staff agreed to check, but did not think it would be an issue because the bond program uses a different access, via Highway 26.

F. Project Modifications

Cost escalation for **Polar Passage** is forecast to be \$3.6 million above the amount originally budgeted for escalation in 2011. To date, the Metro Council has approved \$2.6 million of additional allocation. The Oversight Committee recommended adding the additional \$1 million in cost escalation to the project, if needed, after the 2016 bond sale. If \$1 million is not added to the Polar Passage budget, items will have to be cut. In addition to cost escalation, staff is analyzing a proposed project modification for increased saltwater. The preschematic design that was originally budgeted had just a small dipping pool with saltwater. Standards for animal welfare are changing, and the zoo is exploring the use of saltwater vs. freshwater in the larger pools, and assessing the cost difference. This could result in higher costs for the system and supporting infrastructure to handle the saltwater. The piping for saltwater has to be stainless steel, and the system has to be backwashed since saltwater cannot be dumped into the sewer system. Ms. Hartnett suggested checking what effect chlorinated water has, and to look at the operating implication of using saltwater (buying salt, operating the backwash, etc.). The equipment for saltwater is estimated to cost \$4 million, according to Mr. Mitchell. The goal is to have a facility with some flexibility for 20 to 25 years.

The **Primate Habitat** project also has project modifications under consideration. The bond language called for “more humane enclosures for apes and monkeys.” The first and current phase of the zoo master plan includes adding a new chimp and mandrill structure, without renovating the existing facility. The overall master plan does include demolishing the old building and replacing it with a new habitat, as part of an additional phase to be funded at a later date (not with the 2008 bond funds). But the existing primate building is not functioning well for the animals and the staff. It is original to the site, has been patched and modified over time, has developed leaks and is an old style of zoo design. A proposed bond project modification is to deconstruct the existing primate building and replace it with an upgraded facility. Staff is currently doing research and working on getting cost estimates and a new preschematic design for primate habitat and associated visitor amenities. The zoo wants the new space to allow flexibility of primate species over time. The zoo is also looking at the plan for primates as part of its current Integrated Conservation Action Plan (ICAP) development.

The **Rhino Habitat** project is a comparatively simple project, currently budgeted for \$450,000. It is mostly civil work that includes converting the existing hippopotamus pool to a rhinoceros habitat, grading and landscape changes to connect the rhino and hippo habitats, and taking down some separation walls in holding areas. Over time, the rhino habitat would become part of an Africa Savannah habitat. The Rhino and Primate projects will be done together, since the locations are adjacent and doing them at the same time creates efficiency in contracting. Currently this project does not have significant scope modifications. Staff is working on updating the cost escalation.

Another possible project modification is for **sustainable infrastructure**, which was part of the bond measure. The current bond scope includes water and electrical utility upgrades associated with the bond projects. A proposed scope change is to include additional water and electrical utility upgrades badly needed on the zoo campus. The zoo is in the process of identifying its priority needs to conserve water and energy. The zoo just had a facility assessment, and the data from that will be coming in over the next few months.

Caleb Ford, Metro Assistant Finance Director, spoke about **staffing and administration** program modifications. A year and a half ago he discussed administrative costs with the Oversight Committee. Administration costs include some staff, bond issuance and Metro central services, which are shared across the agency on a cost allocation. Some assumptions for that allocation were made at the start of the program, and then modified a year and a half ago. Now, an additional year is proposed to be added to the program schedule, resulting in additional support costs. The administrative budget needs to be updated to reflect the current cost projection of approximately \$7.2 million, which is about 5 percent of the total program budget. This is in the middle of the range of other local public bond-funded programs, which were 3.6 to 7.2 percent of the total budget.

Members asked about the accuracy of the new administrative spending estimate and the cost of the final bond issuance. Mr. Ford is confident that \$7.2 million is an accurate assessment. That projection includes conservative cost-of-living and health care escalation costs, and the final bond issuance costs will be minimal. The bond program budget does not include nonbond zoo staff and zoo operations staff that are part of the bond program planning and coordination. The original Metro overhead estimate had a straight-line increase, but should have been based on actual spending, which went from land use work (\$2 million) to Elephant Lands (\$57 million). Ms. Hartnett suggested including detail on the added values that are not charged to the bond, as a best way to communicate the changes.

Appropriate staffing is critical for the success of the bond program. Staff is preparing an updated administrative costs memo for the Oversight Committee. Joel Morton, Metro senior attorney, assured members that the bond spending is well within legal bond limits. The next step is to recommend allocation of additional funds to the administrative budget. When finalized, a budget amendment will be requested to allocate actual and anticipated spending for administration and overhead within the program budget (funding is available from the current unallocated bond funds).

G. Questions and highlights for larger Oversight Committee Sept. 14, 2016 meeting

This reallocation process puts some pressure on the Polar Passage project that is currently in design. Prior to adding resources to the Polar Passage project budget, staff needs to ensure that the primate and rhino projects can be successfully completed with remaining funds. Members asked whether some incremental decision or direction could be made to keep the Polar Passage project going on schedule. Members asked if fresh water is even an option for Polar Passage. Given the direction of animal welfare standards and the preference of the zoo's conservation and research partners, saltwater is definitely the preference. Members asked if using saltwater might open up the possibility of additional project funding, since it would benefit the federal research. Funds are limited from external partners, and the Oregon Zoo Foundation has minimal capacity to fundraise as they are in a staffing transition.

The Education Center contingency is approximately \$900,000, and it is expected that some of that will be going back into the unallocated funds. The Elephant Lands project is estimated to have \$250,000 to \$300,000 going back to the unallocated pool.

Members discussed the draft **Guiding Principles** for the subcommittee. They decided to add a first principle that the reallocation align with the requirements of the bond measure. Another principle was added to align the fund allocation with the zoo's ICAP and animal research, to the degree possible. Staff will send the revised draft guiding principles to the subcommittee members, for them to give feedback on the principles and the draft work plan before the Sept. 14 meeting, when the full Oversight Committee can give its feedback.

Ms. Hartnett reminded members that the subcommittee may be somewhat uncomfortable with what they have to decide, and to recognize that going into the process.

Robyn Pierce volunteered to serve as the subcommittee chair going forward.

The staff needs time to analyze the estimated cost of the remaining projects and proposed modifications prior to the next subcommittee meeting, so the second meeting will likely be in late November or early December.

H. Adjournment

Ruth Shelly adjourned the meeting at 3:32 p.m.

Upcoming meetings (schedule uncertain):

Meeting #2: November/December 2016--??

Meeting #3: January/February 2017??--??



Oregon Zoo Bond
Citizens' Oversight
Committee Meeting
March 9, 2017
Agenda item C

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 million¹ 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).

¹ 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 COBID²-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.

² 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 million³ 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 million⁴ 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.

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

⁴ 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 million⁵ unallocated, and the combined proposed budget allocations would leave \$1.6 million⁶ remaining as unallocated:

	\$12 million	Updated Feb. 28* \$12.5 million
Admin cost adjustments	(\$3.0 million)	(\$3.3 million)
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)
Remaining unallocated**	\$1.6 million	\$1.8 million

**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

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

⁶ 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



Zoo Oversight Budget Subcommittee Meeting #3

A subcommittee of the Oregon Zoo Bond
Citizens' Oversight Committee
Tuesday, Feb. 28, 2017

Oregon Zoo Bond
Citizens' Oversight
Committee Meeting
March 9, 2017
Agenda item C

Subcommittee Vote Record

SUBCOMMITTEE MEMBERS

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

AFFILIATION

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

The Budget Subcommittee of the Oregon Zoo Bond Citizens' Oversight Committee was scheduled to meet for meeting #3 on Tuesday, Feb. 28, 2017, from 2 to 4 p.m., but due to low attendance, the meeting was cancelled that morning.

Instead, that afternoon, staff sent the meeting materials to the Subcommittee members via email, and requested that they reply via email by noon on Friday, March 3, 2017, with their votes on two items. Below is a record of those votes received as of 3:30 p.m. that day:

Budget Subcommittee voting items	Approve	Abstain	Unavailable to Vote
1. Recommend to the full zoo Oversight Committee approval of the proposed budget allocation for the remaining bond funds, per the PowerPoint presentation dated Feb. 28, 2017.	1. Robyn Pierce 2. Heidi Goertzen 3. Susan Hartnett 4. Katherine Porras 5. Ruth Shelly 6. Karen Weylandt 7. Kevin Spellman		Dick Stenson
2. Draft minutes from the Feb. 16, 2017, zoo Oversight Budget Subcommittee meeting #2, (with clarifications and edits requested by Subcommittee members).	1. Robyn Pierce 2. Heidi Goertzen 3. Susan Hartnett 4. Katherine Porras 5. Ruth Shelly 6. Karen Weylandt	Kevin Spellman (did not attend meetings)	Dick Stenson

Upcoming meeting

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