

HAMILTON COUNTY TAX LEVY REVIEW COMMITTEE
138 East Court Street
Room #603
Cincinnati, Ohio 45202

November 9, 2007

Hamilton County Board of Commissioners

Hon. Todd Portune - President
Hon. David Pepper - Vice President
Hon. Pat DeWine
138 East Court Street
Room # 603
Cincinnati, Ohio 45202

Re: Report on the Zoo Levy by the 2007 Tax Levy Review Committee

Dear Honorable Board:

Enclosed with this letter is the report of the Tax Levy Review Committee ("TLRC") with respect to the request to place the Zoo Levy on the March 4, 2008 ballot.

I want to thank the County Commissioners for empanelling the TLRC. The formation of this committee and this review process is crucial to provide a critical review of the important work performed by the funded agencies. The Board of County Commissioner's ("BOCC") continuing commitment to this process is important to this community. Further, the guidance provided through its Mission Statement adopted January 24, 2007 was critical in guiding the work of the TLRC and providing a disciplined approach in the community towards the levy process.

Second, the good and hard work of the other eight members of the Committee should be recognized. The Zoo sub-committee was chaired by Virginia Wojtowicz and included Mark Quarry and Dan Unger. The entire TLRC met various times to conduct its work and held a public hearing on September 24, 2007. The subcommittees held additional meetings with Jos. Decosimo and Co., the selected consultant, and agency staff. We had excellent participation from each TLRC member. My appreciation goes to them for this outstanding work.

BOARD OF COUNTY COMMISSIONERS
TAX LEVY COMMISSION
MANAGEMENT AND OPERATIONS REVIEW OF CINCINNATI ZOO
SUMMARY OR PRINCIPAL OBSERVATIONS

10. As part of their current strategy, the Zoo has committed to a new capital campaign. It is currently the major strategic initiative for the Zoo. Internally, the Zoo has determined that it will not begin on any project unless the project is fully funded.

The total infrastructure for the campaign is approximately \$47.4 million. One of the projects, the Animal Wellness center is already completed. The project was a hold-over from the prior capital campaign. The Zoo anticipates approximately \$5.6 million in state and federal funding for the Vine Street walkway project.

The Zoo's campaign goal is \$50 million. The Zoo anticipates needing \$40 million for infrastructure and \$10 million for operations. Early estimates indicate that operating costs for the new facilities would range between \$500,000 - \$900,000

11. Incremental operating costs for the 14 combined capital projects estimated to be \$1.3 million offset by \$390,000 in incremental revenue for a net incremental cost of \$936,000
12. Zoo admission prices have remained the same since 2003 and membership prices were last increased in 2004.

BOARD OF COUNTY COMMISSIONERS
TAX LEVY COMMISSION
MANAGEMENT OF OPERATIONS REVIEW OF CINCINNATO ZOO
SUMMARY OF RECOMMENDATIONS

1. Newly appointed management should reevaluate, in conjunction with the the Zoo Board, existing strategic plan in conjunction with the planned capital projects to determine if:
 - Sufficient donor support is available for each capital project
 - Operating cost of the strategic and capital projects will be supported by current operating revenue
2. Zoo must evaluate and prioritize routine capital projects so as to fund the projects with the most immediate need and projects with associated savings.
3. Evaluate current pricing of memberships, gate admissions and discount programs, including resident discounts, recognizing that the new projects will enhance the value of the Zoo experience.
4. Based on significant reductions made in late 2006, continuing reductions during 2007 and recent changes in the organization, it would be premature to make specific recommendations relative to expense reductions. However, cost control is a continuous process.
 - a. Continue to monitor and manage flexible staffing levels tracking the nature (weather, seasonal) area served and dollars associated with flexible staff.
 - b. Review the combination of departments or staff with overlapping services, such as marketing, development and special events.
5. Once funding is set, establish a schedule for amortizing all debt, including the endowment. In future capital borrowings, if any, discuss with local issuing bodies the opportunity to access tax-exempt bond markets.
6. Establish annual targets for various components of Zoo operations in order to monitor the efficiency of department operations. For example: membership services - cost per member; admissions - cost per guest.
7. Review current outsourced contracts. In the future, consider the use of a buyout/buyin related to unamortized capital cost at the conclusion of a contract term.
8. Evaluate opportunities for additional funding of research and contribution on a national and international level.
9. Establish a system for long-term reviews on the effectiveness and need for various research and conservation endeavors, including both existing and new projects.
10. Strengthen cash collection procedures to assure appropriate charging for admission.
11. Consolidate to one admission gate and implement a system to reconcile Zoo admissions to cash collections.
12. The Endowment has purchased \$1,047,025 on housing adjoining the Zoo property. The Boards should develop a strategy for the use of this property. Currently land is not an optimum long-term investment if the land is not integrated into the current Zoo operations.
13. Regional development -
 - a. Collect zip code information at time of entrance to provide data for marketing efforts for admissions and memberships.
 - b. Review the signage for improving visibility to the Zoo from downtown and Interstate 75.
 - c. Strengthen the relationship with Regional Tourism Network to better visitors from outside the metropolitan area.
14. Provide separate accounting for property located in Clermont and Warren Counties.
15. Work with AZA to update industry data on Zoo operation.

ZOO LEVY PLAN TO STAY WITHIN *INFLATION CALCULATION*
INCLUDING INDIRECT COST, A&T FEES AND ESTIMATE FOR PERFORMANCE REVIEW
AS OF 9/5/07

	2009	2010	2011	2012	2013	Total
Zoo	7,165,299	7,165,299	7,165,299	7,165,299	7,090,299	35,751,496
Indirect cost	9,800	9,800	9,800	9,800	9,800	49,000
A&T Fees	94,505	94,505	94,505	94,505	94,505	472,524
Performance Review					75,000	75,000
Total	7,269,604	7,269,604	7,269,604	7,269,604	7,269,604	36,348,020

36,348,020

ZOO LEVY PLAN TO STAY WITHIN *\$6,500,000 CONTRACT AMOUNT (sec. 12)*
INCLUDING INDIRECT COST, A&T FEES AND ESTIMATE FOR PERFORMANCE REVIEW
AS OF 9/5/07

	2009	2010	2011	2012	2013	Total
Zoo	6,405,700	6,405,700	6,405,700	6,405,700	6,330,700	31,953,500
Indirect cost	9,800	9,800	9,800	9,800	9,800	49,000
A&T Fees	84,500	84,500	84,500	84,500	84,500	422,500
Performance Review					75,000	75,000
Total	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	32,500,000

32,500,000

ZOO LEVY PLAN TO STAY WITHIN *\$6,217,260 CONTRACT AMOUNT (sec. 12)*
INCLUDING INDIRECT COST, A&T FEES AND ESTIMATE FOR PERFORMANCE REVIEW
AS OF 9/5/07

	2009	2010	2011	2012	2013	Total
Zoo	6,126,636	6,126,636	6,126,636	6,126,636	6,051,636	30,558,178
Indirect cost	9,800	9,800	9,800	9,800	9,800	49,000
A&T Fees	80,824	80,824	80,824	80,824	80,824	404,122
Performance Review					75,000	75,000
Total	6,217,260	6,217,260	6,217,260	6,217,260	6,217,260	31,086,300

31,086,300

Zoo Responses to Decosimo Summary of Recommendations

1. Newly appointed management should reevaluate, in conjunction with the Zoo Board, existing strategic plan in conjunction with the planned capital projects to determine if:
 - Sufficient donor support is available for each capital project
 - Operating cost of the strategic and capital projects will be supported by current operating revenue.

➤ ***Agreed. The Zoo has new leadership under the direction of Thane Maynard. Thane will lead a careful review of the Zoo's existing strategic plan in the context of the development of a new three year strategic plan. The capital campaign is on track and is at 50% of goal at this time. Within that campaign is a component to increase the endowment by \$10 million which will generate additional sufficient operating funds to cover costs of the new exhibits.***
2. Zoo must evaluate and prioritize routine capital projects so as to fund the projects with the most immediate need and projects with associated savings.

➤ ***Agreed. The Zoo has prioritized our major maintenance list into three levels of need with the focus on the health and well-being of the collection, energy savings and the visitor experience.***
3. Evaluate current pricing of memberships, gate admissions and discount programs, including resident discounts, recognizing that the new projects will enhance the value of the Zoo experience.
 - ***Agreed.***
 - ***Pricing of all Zoo offerings is under evaluation at all times. We seek the appropriate balance by offering the best value to the visitor. We currently celebrate Hamilton County Days on one full 3-day weekend in August. Through our 2008 budget process we are considering other options that may also be of value to the residents of Hamilton County.***
 - ***In 2004 we successfully created a tiered membership offering and will soon be launching a bundled gate admission price in the fall that integrates the all day ride pass as well as the new 4D Theater.***
4. Based on significant reductions made in late 2006, continuing reductions during 2007 and recent changes in the organization, it would be premature to make specific recommendations relative to expense reductions. However, cost control is a continuous process.
 - a. Continue to monitor and manage flexible staffing levels tracking the nature (weather, seasonal) area served and dollars associated with flexible staff.
 - b. Review the combination of departments or staff with overlapping services, such as marketing, development and special events.

➤ ***Agreed. The Zoo made numerous changes at the end of 2006 to set the stage for a strong 2007. We will continue to monitor staffing levels in our seasonal staff as we have done diligently throughout the season. Additionally, we have established a new organizational structure and will be evaluating areas and functions that may need to shift within that organizational structure under our new leadership to provide focus and efficiency to our operations.***

14. Provide separate accounting for property located in Clermont and Warrant counties.

➤ *Agreed. We have a system in place to provide separate accounting for these outlying properties.*

15. Work with AZA to update industry data on Zoo operation.

➤ *Agreed. We have been in contact with AZA to encourage them to update their comparable information to the most current year to better enable institutions to gather benchmarking data.*

The committee relied in great measure on both the County staff and the outside consultant to assist them in their work. Specifically, Paula Knecht continued to provide excellent support and advice in our efforts. She was aided by Lisa Webb.

I am pleased with this transmittal to report that the TLRC has fulfilled the Mission Statement. A few highlights:

- A.) The Committee brought the levy within the inflation policy established by this BOCC. (See Attachment A) The 5-year recommendation for the March ballot is \$36,348,020.

Based on the TLRC funding recommendations, the Administration is currently working with the County Auditor's Office to identify the millage requirement for the levy whether it is to be placed on the ballot as a renewal or a replacement levy. They will also prepare the affect on taxes for the owner of a \$100,000 home for each type of levy. This information will be presented to you under separate cover by the County Administration as soon as it is finalized with the Auditor's Office.

- B.) We engaged the outside review required by the BOCC. This policy unquestionably has enhanced the ability of the TLRC to provide a critical review of agency spending and operations. I thank Chris Flaig and Kathy Mitts of Jos. Decosimo & Co. for all their guidance and hard work.
- C.) For the purposes of benchmarking and accountability we reviewed similar activity for several other zoos.

During our analysis, questions were raised by the Zoo representatives regarding the procedure used to implement the BOCC's inflation policy. Paula Knecht of the BSI staff provided supplemental information regarding alternative calculation methods as proffered by the Zoo. While the TLRC was certainly open to new ideas, given the current mission statement, our relative inexperience in the details of the inflation calculation, and the unknown potential ramification on all levies and taxpayers, the TLRC did not recommend a change to the current inflation policy. We do, however, recommend that County staff, TLRC representatives and BOCC staff meet in the future to discuss and consider alternative methods to meet the BOCC's objective of holding levy increases in line with inflation.

At this time, we are working to schedule to present these reports to the BOCC at the November 26, 2007 staff meeting. If you have any questions in the meantime about these reports, I would be pleased to respond to them. In the alternative, Ginny Wojtowicz will be prepared to answer your questions.

HAMILTON COUNTY TAX LEVY REVIEW COMMITTEE
138 East Court Street
Room # 603
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November 9, 2007

Hamilton County Board of Commissioners

Hon. Mr. Todd Portune – President
Hon. David Pepper – Vice President
Hon. Mr. Pat DeWine
138 East Court Street
Room # 603
Cincinnati, Ohio 45202

RE: Zoo and Botanical Garden Tax Levy Review 2007
Hamilton County Tax Levy Review Committee (TLRC)

Dear Honorable Board:

Following the direction of Mr. Tim Molony, chairperson of the Hamilton County Tax Levy Review Committee, a sub-committee was formed May 30, 2007 for the purpose of the five year review of the Hamilton County Zoo and Botanical Garden Levy, which is considered for placement on the ballot for the March 2008 Primary Election.

I would like to thank Mr. Tim Molony and the Board of County Commissioners for my appointment as chairperson of the Zoo and Botanical Gardens Tax Levy Review Sub-Committee. I am also very appreciative of the time and efforts of fellow sub-committee members Mr. Mark Quarry and Mr. Dan Unger. Together, we have been provided excellent support by county staff and by our hired consultant, DeCosimo.

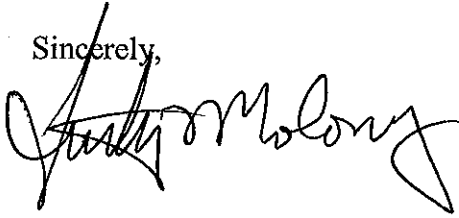
A letter dated August 27, 2007 from Mr. Thane Maynard requested placement of the Zoo and Botanical Garden levy on the March 2008 Ballot. (See Attached)

The Tax Levy Review Committee (TLRC):

- Appointed a subcommittee to analyze the Zoo's operations;
- Selected Joseph Decosimo & Co. consulting firm to review the Zoo and its operations;
- On July 5, 2007 toured the Zoo and met with key personnel;
- On July 13, 2007 met with Mr. Thane Maynard (Director of the Zoo) and Mr. Otto M. Budig Jr. (Chairman of the Board for the Zoo) along with staff members from Decosimo, Chris Flagg and Kathy Mitts
- Held a public hearing on September 24, 2007.

Thank you again for this opportunity to serve. It has been a thoroughly rewarding experience.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy W. Molony". The signature is fluid and cursive, with the first name being the most prominent.

Timothy W. Molony
Chairman
Hamilton County Tax Levy Review Committee
molonyt@yahoo.com
513-731-8724

Cc: TLRC Members
Patrick Thompson, County Administrator
Thane Maynard, Cincinnati Zoo

Attachments:

Zoo Subcommittee Report
Agency Response to Decosimo Performance Report

The Zoo and Botanical Garden

Significant Facts About the Zoo

As stated in Decosimo's report, the Zoo hosts more than 1 million visitors each year with an annual impact of over \$90 million, (source: Economic Center for Education and Research Study).

The Zoo is ranked as Cincinnati's highest-rated tourist attraction, and is nationally acclaimed as one of the top zoos in the country by the ZAGAT Survey.

Child Magazine recognizes the Zoo as one of the "10 Best Zoos for Kids".

Reaching more than 330,000 school participants each year, the Zoo is the tri-state's leading informal educational facility.

The Zoo has broad community support with over 42,000 tri-state family members and more than 900 volunteers

The Zoo is one of only two botanical gardens in the state of Ohio accredited by the American Association of Museums.

A key partner in the Uptown Consortium, an urban redevelopment corporation, the Zoo is helping to define the future for key inner city neighborhoods.

The Zoo's Lindner Center for Conservation and Research of Endangered Wildlife (CREW) is involved in more than 40 international conservation programs, including groundbreaking work with rhinos, cheetahs, small cats, and endangered plants.

Decosimo Performance Review

Attached to this report are two documents that Decosimo submitted to the TLRC on August 16, 2007.

1. From the Decosimo Management and Operations review of the Zoo, a list of 12 items titled "Summary of Principal Observations".
2. From the Decosimo Management and Operations review of the Zoo, a list of 15 items titled "Summary of Recommendations". Each item on the list of "Summary of Recommendations" is followed by a response from the Zoo. It is interesting to note that the Zoo agrees with each of the 15 recommendations.

Current Agreement between Hamilton County and the Cincinnati Zoo

For purposes of clarification we want to note that in the current agreement between the Board of County Commissioners and the Zoo, dated January 05, 2005, under Scope of Services, it is stated that the proceeds from the Levy shall only be used for direct costs of operating the Zoo in one or more of the following categories.

Animal Department, Animal Health, Horticulture, Maintenance, Utilities, or Major Maintenance

On August 27, 2007 a letter was submitted to Mr. Todd Portune and signed by Mr. Thane Maynard and Mr. Otto M. Budig Jr. requesting levy support for the next 5-year levy term (2009-2013) in the amount of \$ 36,348,000.00. (See attached document)

The current contract between the County and the Zoo states:

“The Zoo agrees that any renewal or replacement of the Levy it seeks upon expiration of the currently voted millage, shall be at a level targeted to produce Six Million Two Hundred Seventeen Thousand Two Hundred Sixty Dollars (\$6,217,260.00) but in no event more than Six Million Five Hundred Thousand Dollars (\$6,500,000.00) in the first year of the renewed or replaced levy.”

However, given the fact that the various other levies in Hamilton County are not held to a contract amount, but instead are based on the recommended inflation rate, The TLRC is recommending that the same policy be followed for the Zoo Levy.

The Office of Budget and Strategic Initiatives have calculated 3 options, the first one being in the amount of \$36,348,020.00. This total falls within the inflation calculation for the 5-year levy period.

Also note that these calculations include monies for the A & T fees, estimated amount for indirect cost and \$75,000.00 for a performance review. (Please see the attached document)

Recommendation

The members of the TLRC, after a total review of the Zoo's finances and performance over the last 5 years, are recommending that the new Zoo Levy be funded in the amount of \$ 36,348,020.00 for the 5-year levy period.

The TLRC also requests that a mid term review be performed during the next levy cycle for the purpose of evaluating the status of the list of 15 items recommended in the Decosimo Report and agreed to by The Zoo.

A handwritten signature in black ink that reads "Ginny Wojtowicz" followed by a stylized flourish that appears to be "JK".

Ginny Wojtowicz
Hamilton County Tax Levy Review Committee
513-702-0489

Zoo Levy Subcommittee

Mark Quarry

Dan Unger

Ginny Wojtowicz, Subcommittee Chair

Attachments



Adventure • Conservation • Education

The Honorable Todd Portune, President
Board of Hamilton County Commissioners
138 E. Court Street
Cincinnati, OH 45202

August 27, 2007

Dear Todd,

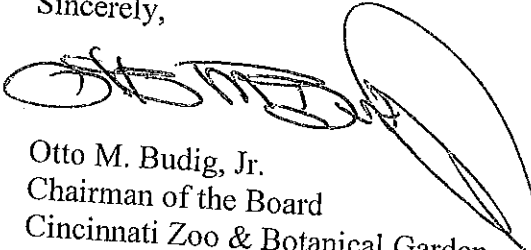
At the August 16th meeting of the Tax Levy Review Committee the Cincinnati Zoo & Botanical Garden was asked to submit a letter stating the specific dollar amount we are requesting for our March 2008 tax levy renewal.

At the meeting a very thorough preliminary report was delivered by the independent auditors of the Decosimo Company. Through their study of our finances it was determined that the Cincinnati Zoo & Botanical Garden not only has controls and systems in place to manage levy proceeds on behalf of Hamilton County taxpayers, but that we require substantial additional funding for our animal health and care, horticultural and maintenance operations. These are the areas supported by the tax levy.


In our discussions it was advised that it was best to limit requests to "within the level of inflation," as has been done with other Hamilton County tax levies approved by the Commissioners to be placed on the ballot. With that in mind, we are requesting support of \$36,348,000 over the 5-year period of the next levy (2009 - 2013). This request is based on details provided to the Cincinnati Zoo & Botanical Garden by the County Office of Budget and Strategic Initiatives and is within the projected level of inflation.

Please contact us if there is any additional information needed. And, thank you very much for your consideration. We appreciate the partnership with the taxpayers of Hamilton County over the last 26 years and look forward to it continuing long into the future.

Sincerely,



Otto M. Budig, Jr.
Chairman of the Board
Cincinnati Zoo & Botanical Garden



Thane Maynard
Executive Director
Cincinnati Zoo & Botanical Garden

Cc: The Honorable David Pepper, The Honorable Pat DeWine, Tim Molony, Chair, TLRC, Members, TLRC Paula Knecht

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BOARD OF COUNTY COMMISSIONERS

TAX LEVY COMMISSION

MANAGEMENT AND OPERATIONS REVIEW OF CINCINNATI ZOO

SUMMARY OF PRINCIPAL OBSERVATIONS

1. Since January 1, 2003, the Zoo has been running significant deficit balances in their operating fund. The operating deficits were (\$2,779,435), (\$1,452,829), and (\$2,084,810) in 2004 through 2006, respectively. The net assets in the operating fund have decreased by \$7,241,769 and as of December 31, 2006 totaled \$(4,580,414).
2. The deficits are attributable to a relative flat attendance during the past four years and, despite the implementation of the A.T. Hudson report recommendations, increasing expenses. The 2007 budget reversed the trend of increasing expenses through an expense reduction from 2006 of \$2.4 million. The financial performance through 2007 has been with operations approximately \$218,900 under budget on expenses.
3. At the end of 2006, the Zoo has used all of its available line of credit, in the amount of \$5.5 million, and borrowed \$1,812,273 from the endowment fund. As of June 30, 2007, the Zoo had borrowed a total of \$5.2 million from the endowment fund to reduce the line of credit to approximately \$1.5 million resulting in a 4% reduction in the cost of capital. The lines of credit due August 31, 2007 and September 30, 2007 are in the process of being renewed for one year.

The loan from the endowment, while at a lower interest rate, has the effect of lowering the endowment funding.
4. The Zoo has a \$2,000,000 loan outstanding, due February 2008, representing the unfunded portion of the education building. The Zoo expects to refinance the note with a 5 year term loan.
5. On Friday, July 27, 2007, the Zoo named Thane Maynard as the new Chief Executive Officer. The position had remained vacant for approximately one year. During that time, there were Co-Directors for Administration and Operations. Reference **Appendix D** for these Organizational Charts. As part of the restructuring of the Zoo under the new CEO, a new organizational chart was developed. The new organization chart reflects one less executive management position by eliminating the position of Vice President of Public Information, formerly held by Mr. Maynard.
6. After allowing for a reasonable inflation rate factor, it does not appear that the Zoo would have adhered to the recalculated cost-per-visitor ratio. The ratio is impacted by two key components: admissions and expenses.
7. In general, the Zoo does have a high penetration into their marketplace (annual attendance as a percentage of metropolitan population). However, the Zoo suffers from having strong competitors for recreational dollars in the immediate market including the Newport Aquarium, Kings Island, the Cincinnati Reds plus other entertainment venues. Combined, these forces make increases in attendance either locally or regionally difficult to achieve.
8. Based on discussions with Zoo officials, the Zoo estimates a backlog of outstanding deferred capital of \$2,233,000. High priority projects total \$998,000. Second and third tiered projects total \$1,000,000 and \$235,000, respectively. Furthermore, the Zoo can expect additional annual routine capital needs over the next five years of \$1.4 million.
9. Food Service commissions have increased during the first six months of 2007 from \$1.06 per admission to \$1.28 per admission.