

- **Compliance with Association of Zoos and Aquariums (AZA)** in fiscal 2014 includes updating facilities to meet new guidelines for elephants.

In fiscal 2013, the zoo received \$5 million in general obligation (GO) bonds. Of this amount, \$4 million was authorized for the construction of the African Penguin exhibit, an exhibit improvement project that started design in summer 2011. An additional \$1 million in the fiscal 2013 authorization supported basic infrastructure.

The fiscal 2014 request represents a \$2.0 million increase over what was programmed in the fiscal 2013 CIP plan for fiscal 2014, for a total appropriation of \$7.0 million in GO bonds. The funds will be used for the following projects:

- \$2.8 million for basic infrastructure improvements. Projects include (a) maintenance of the 8-foot perimeter fence around the zoo's 135+ acres; (b) emergency backup generators for animal buildings and facilities to maintain lighting and refrigeration during power outages; (c) roof maintenance and replacement; (d) a unified lock system; (e) upgrade of employee workspace for employees currently working in trailers; and (f) the second phase replacement of the Zoo Animal Hospital heating, ventilation, and air conditioning (HVAC) system.
- \$200,000 for strategic service improvements to continue a major renovation of all signage assisting guest navigation.
- \$2.0 million for exhibit and attraction improvements. The funds will be used to supplement prior State authorizations for the African Penguin exhibit to cover cost overruns on the project. This appropriation represents a \$2.0 million increase to \$9.0 million in State funding beyond what was anticipated.

The new exhibit, which will house up to 100 penguins, will include a water feature with a life support system, underwater viewing for zoo patrons, and energy efficient improvements. Design began during summer 2011 and has been completed. Bids for construction were received in September 2012, and the completion date has been pushed back from October 2013 to fall 2014. **The Maryland Zoo should discuss the factors driving the cost increase for the African Penguin exhibit.**

- \$2.0 million for compliance with AZA guidelines. Renovations to the existing elephant barn and cow yard are required in order to meet the new AZA elephant guidelines. Renovations will include general site work and utilities, raising the height of existing barriers, resurfacing exhibit yards, installation of transfer chutes, connection of the cow yard to the bull yard, installation of swing gates and slide gates, installation of a new shade structure, hydraulic unit and piping for gate operation, and new building openings.

Project Status Update

For years, the zoo was unable to access capital authorizations provided to improve the zoo's facilities because its low revenue generation made meeting the matching fund requirements difficult. During the 2009 session, the Maryland General Assembly addressed this issue by amending two prior authorizations to remove the matching fund requirement, which made approximately \$8.3 million in capital funds available to the zoo. In addition to this funding, \$5.0 million was authorized in the Maryland Consolidated Capital Bond Loan (MCCBL) of 2010 for capital at the zoo, and \$2.5 million was authorized in the MCCBL of 2011. As a result of the newly available funds and authorizations, in March 2011, the zoo had \$7.7 million in unencumbered capital grant funds. By February 15, 2012, the zoo reported that approximately \$3.8 million in State funds that had been received since fiscal 2001 were unencumbered, excluding funds for the African Penguin exhibit. At that time, the zoo anticipated fully encumbering the \$3.8 million by October 2013.

Excluding \$5.725 million in currently unencumbered funds for the African Penguin exhibit, which is approaching the start of construction after several project delays, the zoo reported \$2.7 million in unencumbered funds on January 28, 2013. There are three groups of projects with significant unencumbered funds:

- The Animal Hospital HVAC and generator project, which was authorized for \$1.0 million across multiple years (2003, 2008, and 2010) has \$858,200 in unencumbered funds. Design has been completed for the first phase of the project, and bids have been received.
- There is a total of \$1.0 million in 2011 authorizations to correct life safety and animal welfare deficiencies that is unencumbered. The authorizations have been combined with funds for basic infrastructure improvement projects authorized in the fiscal 2013 appropriation.
- There is an unencumbered balance of \$260,637 related to the Mansion House renovation that is reserved for a basement renovation.

Updates

1. Stable Operating Outlook for Zoo

The Maryland Zoo in Baltimore reported \$3 million in net income for fiscal 2012, which was primarily composed of gains in depreciable assets from capital grants.

Exhibit 1
Maryland Zoo in Baltimore – Audited Financial Statements
Fiscal 2010-2012

	<u>2010</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>	<u>2011-2012</u> <u>\$ Change</u>	<u>2011-2012</u> <u>% Change</u>
Revenues, Gains, and Other Support					
Grants	\$14,837,413	\$10,016,847	\$11,596,581	\$1,579,734	15.77%
Contributions	1,309,116	489,757	548,762	59,005	12.05%
Donated Facilities and Utilities	755,147	672,873	831,749	158,876	23.61%
Donated Services and Materials	118,604	127,354	8,498	-118,856	-93.33%
Visitor Revenue	2,009,608	2,422,469	2,728,786	306,317	12.64%
Investment Income	18,348	25,992	-951	-26,943	-103.66%
Membership Dues	1,132,293	1,170,231	1,210,237	40,006	3.42%
Other Revenues	635,102	770,386	2,032,261	1,261,875	163.80%
Total	\$20,815,631	\$15,695,909	\$18,955,923	\$3,260,014	20.77%
Expenses					
Program Services	\$11,187,633	\$11,334,752	\$12,233,038	\$898,286	7.93%
Supporting Services	2,904,597	3,112,962	3,079,548	-33,414	-1.07%
Fundraising	619,991	693,483	595,885	-97,598	-14.07%
Total	\$14,712,221	\$15,141,197	\$15,908,471	\$767,274	5.07%
Net Income	\$6,103,410	\$554,712	\$3,047,452	\$2,492,740	449.38%

Source: 2012 and 2011 Consolidated Financial Statements, Maryland Zoo in Baltimore, Clifton Larson Allen, LLP

Grants and awards increased by \$1.6 million, or 15.8%, in fiscal 2012. The zoo reports that the increase was due to capital grant funding for major capital projects, including city-funded wastewater projects and State-funded construction projects. The largest sources of nongrant based revenue growth between fiscal 2011 and 2012 came from insurance recoveries and a large corporate charity event, both one-time revenue sources in the Other Revenues category. In total, Other Revenues increased by \$1.3 million in fiscal 2012.

ZA00S – Miscellaneous Grant Programs – Maryland Zoo in Baltimore Infrastructure Improvements

Visitor revenue increased \$306,317, or 12.6%, in fiscal 2012 and reflects greater than forecasted attendance. Zoo attendance increased by 9.4% to 409,843 in fiscal 2012 compared to 2011, as shown in **Exhibit 2**. General public attendance experienced the largest growth, increasing by 16.8% to 180,904 visits. The number of member visits also increased substantially by 11.4%.

Exhibit 2
Maryland Zoo in Baltimore Attendance by Groups
Fiscal 2008-2012

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u># Change</u> <u>2011-2012</u>	<u>% Change</u> <u>2011-2012</u>	<u>% Change</u> <u>2008-2012</u>
General	158,600	153,800	148,319	154,899	180,904	26,005	16.8%	14.1%
Member	107,358	99,877	112,297	123,721	137,868	14,147	11.4%	28.4%
School	79,888	74,005	75,397	81,521	87,750	6,229	7.6%	9.8%
Passes	3,123	2,999	4,441	14,470	3,321	-11,149	-77.0%	6.3%
Total	348,969	330,681	340,454	374,611	409,843	35,232	9.4%	17.4%

Source: 2012 and 2011 Consolidated Financial Statements, Maryland Zoo in Baltimore, Clifton Larson Allen, LLP

Program expenses increased by approximately \$900,000, or 7.9%, primarily for two reasons in fiscal 2012. First, salaries increased with the conversion of 20 seasonal positions to full-time, regular positions and the implementation of salary increases for lower paid staff. These salary increases were planned and helped bring the zoo closer to the rates of peer institutions. Second, the zoo amortized \$217,000 of major capital projects.

In total, although the zoo may experience moderate revenue fluctuations based on the nature of one-time revenues sources, the zoo anticipates a relatively stable operating performance. The zoo anticipates growth in revenues from venue rentals, moderate growth in revenues from admissions, and stable expenses.

Prior Authorization and Capital Improvement Program

Authorization Uses
(\$ in Millions)

Fund Uses	<i>Prior Authorization</i>	<i>2014 Request</i>	<i>2015 Estimate</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>	<i>2018 Estimate</i>
Acquisition	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Planning	1.595	0.770	0.550	0.550	0.550	0.550
Construction	12.470	6.020	4.300	4.300	4.300	4.300
Equipment	0.435	0.210	0.150	0.150	0.150	0.150
Total	\$14.500	\$7.000	\$5.000	\$5.000	\$5.000	\$5.000

Authorization Sources
(\$ in Millions)

Fund Sources	<i>Prior Authorization</i>	<i>2014 Request</i>	<i>2015 Estimate</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>	<i>2018 Estimate</i>
GO Bonds	\$14.500	\$7.000	\$5.000	\$5.000	\$5.000	\$5.000
Total	\$14.500	\$7.000	\$5.000	\$5.000	\$5.000	\$5.000

Note: Prior authorization figures in the chart reflect only those funds that have been authorized for the specific projects that are also programmed to use fiscal 2014 funds. Total State capital contribution since 1995 is \$38.5 million.

GO Bond Recommended Actions

1. Approve \$7 million in general obligation bond funding for the Maryland Zoo in Baltimore infrastructure improvements.