



**John Ball Zoo
Strategic Planning
Organizational Structure/Governance**

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Project Scope & Introduction

Schultz & Williams Inc. (S&W) was engaged by Kent County (County) with funding support from the John Ball Zoological Society (JBZS) to perform a strategic assessment of the funding opportunities and governance options for the future management of the John Ball Zoo. With the strategic funding and governance options identified, S&W developed a specific strategic plan of action for the preferred governance option.

In developing the strategic plan, we worked with the Strategic Planning Committee comprised on four members each from Kent County and the John Ball Zoological Society. Members of the Strategic Planning Committee (Committee) included Daryl Delabbio (Kent County Administrator/Controller), Sandi Parrish (Kent County Commission Chair), Mary Swanson (Assistant Kent County Administrator), Robert Tholl (President of the JBZS), Gary Milligan (Past President of the JBZS), Kyle Irwin (Secretary of the JBZS and has been nominated as the 2011-2012 Board President), Bert Vescolani (Zoo Director) and Brenda Stringer (Executive Director of JBZS). The Strategic Planning Committee had three planning meetings over the past four months to review our preliminary findings, discuss options and begin to outline potential recommendations for moving forward.

In completing our assessment, we worked with the Committee to:

- Identify governance models for the John Ball Zoo based on existing management/ funding structures with AZA-accredited zoos
- Create case study models of existing governance and funding models with zoos
- Explore opportunities for a shift in governance at the John Ball Zoo
- Identify the current strategic characteristics of the John Ball Zoo and benchmark comparisons

Having framed potential governance models and funding opportunities for the John Ball Zoo, we facilitated discussions with the Committee to:

- Outline potential governance options for the Zoo
- Identify a preferred governance and management structure for the “new” John Ball Zoo
- Outline a “case for support” for the new Zoo
- Create a shared vision for the John Ball Zoo; and
- Outline a strategic plan-of-action to move forward with the implementation of the agreed upon preferred governance option

The strategic plan of action will include a “term sheet” for implementing the preferred governance option. The “term sheet” will identify the roles and core services/responsibilities of the parties and would form the basis for developing the more detailed contractual management agreement between the County, Society and the preferred governance option.

Governance Models: Public-Private Management

Currently, most zoos that are managed under a “public-private partnership” that follows two types of governance structures:

- ❑ Publicly-owned and managed, with not-for-profit support partner and annual operating support from a public entity: Parks, City, Metro Government (examples being the Point Defiance Zoo & Aquarium (Tacoma, WA), Los Angeles, Miami)
- ❑ Publicly-owned but privately managed with dedicated annual operating support from a public entity or funding source: (examples being the Zoos in Denver, Seattle, Houston, Fresno, Dallas and Salt Lake City)

Over 95% of the not-for-profit AZA-accredited institutions (excluding the for-profit members of Disney, SeaWorld and Busch Entertainment, among others) receive “public-sector” operating support – Phoenix and the Fort Wayne (IN) Children’s Zoo are two zoos that do not receive public-sector operating support. The annual amount of public-sector supports ranges from about 7% - 50% of an institution’s total operating budget with a **benchmark average of approximately 33% - 35% of an institution’s total operating budget** coming from a public-sector resources.

Although every public-private partnership agreement is different – it is true that no two AZA-accredited zoos are alike – public-private partnerships can combine the best of both worlds to increase, expand and/or enhance the zoo:

- ❑ Creates an “entrepreneurial” business management approach
- ❑ Provides “flexibility” in response to staffing, zoo trends & visitors
- ❑ Allows for cost efficiencies by eliminating the duplication of efforts and in purchasing services
- ❑ Creates market-based pricing strategies
- ❑ Provides fiscal responsibility including accountability to donors
- ❑ Lessens potential political and public relations impacts
 - Shields the “landlord” from difficult publicity while allowing the County to retain ownership of the land and improvements
- ❑ Offers a re-investment strategy as “what is earned at the Zoo is invested in the Zoo”

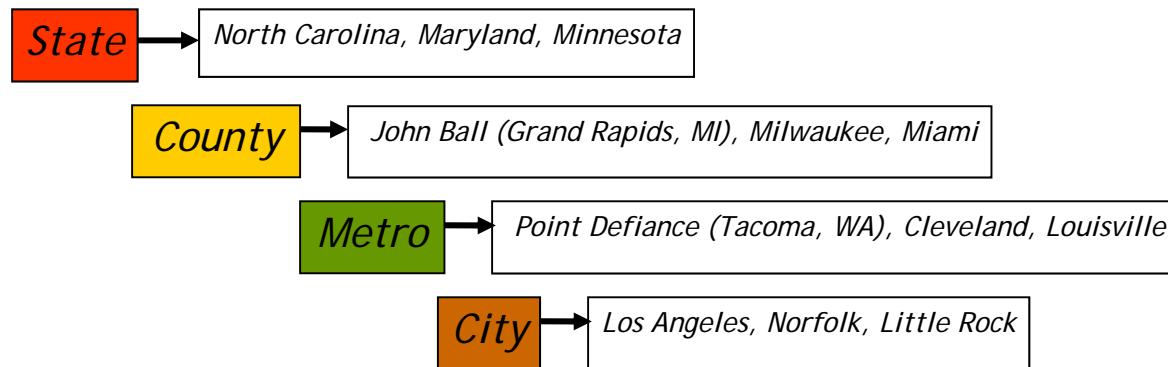
Case Study Models of Public-Private Management

We have identified a number of “case studies” on the two most-used public-private management models utilized by AZA-accredited zoos and have summarized them below:

- A.** Publicly owned and managed, with not-for-profit support partner and annual operating support from the public entity
- B.** Publicly owned, privately managed with dedicated annual operating support

A. Publicly owned and operated; with not-for-profit support partner

Typically managed and operated by one of the four governmental “owners” outlined below. It is interesting to note at least six (50% of the group) of the zoological institutions identified below are currently considering a shift in their governance structure to privately managed but publicly owned.



The “key factors” with these institutions are:

- Original “investor” was the public entity in developing the facility
- Not-for-profit partner has been increasing their role in the management of the zoo
- Public ownership of the land/assets
- Most receive direct annual appropriations with no dedicated funding
- Not-for-profit partner is a “valued” partner that has provided funding for capital & operations

B. Publicly owned, privately managed with dedicated operating support

There are a number of different funding vehicles that support publicly owned but privately managed zoos:

I. Line-Item Budget Appropriations: Kansas City, Houston, San Francisco

- City provides annual support as Zoos were previously City-operated and managed
- Typically, City provides operating support and some transition funding
- Not-for Profit has longer-term management lease but with annual Government appropriations
- City is the landlord and retains ownership of improvements
- Not-for-profit organization is responsible for managing and operating the Zoo under a long-term management lease agreement
- Typically, the City has little direct representation on the Board of Directors

II. Regional Dedicated Funding – supports only one zoo institution

▪ Oklahoma City, Oklahoma: Zoo Sales Tax Initiative

Oklahoma Zoological Trust, managing authority for the Oklahoma City Zoo, receives a .125% sales tax allocation based on County-wide sales tax proceeds. Revenues are restricted to the operations of the Zoo and are to be used for either unrestricted operating or capital improvements. **Currently, approximately \$10 million annually is generated through the Zoo Sales Tax Revenue.**

▪ Seattle, Washington: Zoo/Parks Initiative

Woodland Park Zoo, Seattle, WA – provided capital funding & transition operating funds to privatize the Zoo. Voter approved in 2001. Sunset funding provision that expired in 2008; implemented new seasonal fee structure to offset reduction in public-sector support.

▪ Fresno, California: Chaffee Zoo – Zoo Sales Tax

Ten-Year .1% sales tax, dedicated to the Zoo that expires in 2014. Two-thirds allocated to capital investment; one-third for operating support. Funding initiative had a 71% approval rate that will generate between \$110 million - \$125 million over the ten years.

III. Regional Funding Tax/Appropriation – supports a variety of cultural institutions

▪ Salt Lake City, UT: ZAP Funding – Zoo, Arts & Parks

Utah's Hogle Zoo has an annual attendance of 1 million visitors. The Zoo receives State and Regional Funding of approximately \$2.8 million annually. City owns the land but provides no operating support.

▪ Pierce County, Washington: Zoos & Parks Funding

Point Defiance Zoo & Aquarium has a combined annual attendance of approximately 750,000 visitors to the Zoo and Northwest Trek. Both facilities are managed by MetroParks with Society support.

▪ Denver, CO: Scientific & Cultural Facilities District (SCFD)

Denver Zoo's annual attendance exceeds 1.65 million visitors with over \$6.5 million in annual support plus matching support for capital bond. City supports annual cost of utilities with an upset limit. SCFD supports over 300 cultural institutions/attractions within the Denver region.

IV. County-Levies (State of Ohio Initiatives)

Unique to zoos in the State of Ohio, the State Legislative initiative created the funding vehicle.

- ❑ Property tax initiative that must have voter approval with millage typically in .7 to 1 mil of support for the zoo
- ❑ Typically, 60% approval rating
- ❑ Typically, one levy for operating support; second levy for capital support
- ❑ Term of levies is 5 – 10 years
- ❑ Each of the zoos has a strong base of household members with the levies

V. The Dallas Zoo's Recent Shift in Governance

We are providing a brief overview of the Dallas Zoo privatization process which became effective October 1, 2009; (S&W guided the planning initiatives for the transition).

Background

- ❑ The Dallas Zoological Society was a long-time partner with the City of Dallas
- ❑ Over the past twenty years, there were previous attempts to privatize the Zoo
- ❑ In a joint strategic planning initiative with the City and Society in 2004, privatization was identified as a “priority” by both parties
- ❑ The strategic plan identified that new leadership was needed at Zoo – new Zoo Director was hired in 2006
- ❑ A new Mayor was elected in 2007
- ❑ Pre-planning for privatization quietly began in 2008
- ❑ Began “behind the scenes” work
 - Key stakeholder fund raising: \$3MM Goal
 - Key political positioning & advocates
 - Hired key senior staff positions
 - New “outsource” partner for food/retail/catering

The Dallas Deal

- ❑ Key Financials Details:
 - 35 Year Management Contract
 - \$10.8MM year 1 subsidy/ \$14MM years 4-35
 - C.P.I. adjustments each year
 - All unrestricted animal and education trust funds (\$2MM) were used for transition costs
- ❑ Key Transition Details:
 - All personnel transition costs paid by City
 - All personnel ability to interview/ No obligation to hire
 - All equipment currently at zoo transferred

Overview: Why Explore a Shift in Governance?

In the recent decade, the transition of zoos from publicly owned and managed to publicly owned and privately managed has been the trend in cities across this country. In most cases, the shift was driven by the need to change or expand the base of financial support for the zoo, and/or to allow the zoos to make changes to adapt to the market more quickly than is typically possible in a public-decision making environment.

Today, nearly 70% of AZA-accredited zoos are privately managed – with ownership and a continued financial responsibility and support still required from the public sector. Every zoo has reported positive impacts and growth from the transition, despite the fact that most cities were motivated by a financial crisis to expedite the transition.

In addition to stabilizing the financial challenges, there are a number of additional objectives for shifting the governance and management structure of operating the John Ball Zoo. The four primary objectives are:

- Solidify the County’s financial contribution to the Zoo
 - Reducing the County’s exposure to increased operating expenditures
- Eliminate the redundancy and inefficiency associated with the current bi-furcated organizational structure that has evolved out of the current structure with the Zoo Society being responsible for membership, certain programming and capital funding, and the County responsible for operations and animal care.
- Strengthen private financial support for the Zoo
 - Investment in new facilities, exhibits and attractions that will be identified through a new facility master plan
 - Provides new opportunities to engage the greater Grand Rapids community in supporting a regional asset by offering new experiences, programs, activities and events that create a reason to visit the Zoo while promoting its mission as a leading education and conservation institution
 - Better position to gain the support of the community to secure a potential dedicated funding initiative for the Zoo
- Provide for flexibility and an entrepreneurial management approach to meeting the challenges of offering an exceptional visitor experience in a difficult economy
 - Achieve improved business efficiencies and overall effectiveness of operations

As the Zoo explores future governance options, it must continue to integrate a number of key components that are critical for its success and growth:

- Providing for County/JBZS employees by offering competitive wages and benefits and a quality work environment
- Developing a long-term funding agreement with Kent County, the Zoo’s public-sector partner and its “major donor”
- Creating a dynamic new management organization, and

- Funding a transition budget that is estimated to range from \$750,000 to \$1.5 million (to be spent over the next two or three years) to ensure that the not-for-profit management entity has the operating resources to quickly and effectively develop and transition the management programs while having the financial resources to operate the Zoo for the enjoyment of its residents and communities and exceeding industry standards in animal care. Part of the transition funding could be utilized to “underwrite” the start-up costs for implementing or expanding the Zoo’s contributed revenue programs. Contributed revenue programs need time to “ramp-up” as new donors and Zoo friends need to be cultivated and then asked to participate in the Zoo’s programs and services. A portion of the transition funds could be utilized to invest in the personnel and programs to cultivate, motivate and engage the Grand Rapids community in the Zoo’s new/expanded contributed revenue programs, both operating and capital.

Transition Costs: Typically, transition costs are estimated to range from \$1 million to \$2 million, depending on the timeline for transition – not all expense allocations will be incurred in the initial year of transition therefore funds can be raised over initial three years but commitment to raise dollars must be maintained. Potential costs/services could include **(not specific to the John Ball Zoo at this level of planning):**

- Technology: new phone system, computers/upgrades, new servers, admission ticketing systems, web-enhancements, software licenses, consultants, etc. – estimate of \$200,000 to \$300,000
- Working Capital: assume \$200,000 per year for three years – total of \$600,000 – supports the development/growth of new unrestricted contributions/giving programs that must be fully funded by the fourth year of operations (allows time to cultivate these programs and donors)
- Signage/Graphics: new banners at the Zoo; printing of new maps, brochures and on-site signs – estimate \$75,000 to \$100,000
- Training: employee – estimate of \$25,000 per year for three years – estimate of \$75,000
- Facility Master Planning: completion of new plan - \$100,000
- Start-Up: transition planning, human resources/benefit consultants, equipment/vehicles, supplies and services – estimate \$100,000 to \$200,000
- Visitor Amenities & Experiences: new short-term marketing experiences and programs that creates a reason to visit the Zoo - \$125,000 per year for three years – estimate of \$375,000
- Miscellaneous Allocations: estimate of \$50,000 per year for three years – total of \$150,000 (contingency)

The single most important factor in a successful transition is effective leadership.

Based on our experience in creating other successful public-private partnerships, and to fulfill the opportunities of a shift in governance, the following core criteria must be in place:

- Leadership: from the County and a new governing entity. The Board of the Zoo must be the leaders of the greater Great Rapids community

- Willingness: to get the deal done in the best interest of all parties; position the shift in management from a point of “success, not failure”
- Financial Support and Commitment from the County: the County needs to be positioned as “the major donor” – at least in the short-term until the private sector embraces the plan. County needs to offer “stability” in the funding model
- Creativity: in positioning the key term considerations of the agreement between the County and new governing entity
- A Plan of Action: a realistic, achievable and sustainable “roadmap”
- Leadership Again: having leaders as part of the senior management team of the new governing entity to create and implement plans of action

John Ball Zoo Today: Strategic Issues

CURRENT STRUCTURE: The John Ball Zoo is managed under a public-private partnership between Kent County and the John Ball Zoological Society, an independent not-for-profit entity. The County owns, manages and operates the Zoo with programmatic, membership and financial support from the John Ball Zoological Society. This partnership structure, a somewhat traditional one for many Zoos, is dependent upon:

1. Clear delineation of roles, responsibilities and willingness of the County to delegate certain functions;
2. Abilities and skills of the leadership of each to coordinate efforts in a cooperative manner; and,
3. A mutually agreed upon and supported direction and work plan for the zoo.

Over the past year, the current situation has presented a challenging working environment between the partners as the management agreement that serves to outline the responsibilities, roles and core functions of the County and the Zoo Society has not been updated. Both partners have agreed to allow this strategic planning process to guide the direction of any future management agreements.

The potential to capitalize on the best characteristics of both organizations – including the Zoo’s recent growth in attendance and the Society’s fundraising and connections with the community – while reducing overhead expenses associated with two separate administrative structures – presents a win-win for the Zoo and the community.

CURRENT CHALLENGES: The major issue facing the Zoo is the fiscal constraint of the County in being able to commit consistent funding support for adequate development and maintenance of the Zoo. The County’s current overall funding challenges (lower tax revenues, reduced funding from the State), coupled with the fact that the Zoo is a non-mandated service within the County, have created a lower net annual investment in the Zoo on behalf of the County. Over the past five years, the County’s net investment in the Zoo has averaged \$2.64 million (2004 – 2010 budgets). In addition, this fiscal uncertainty/pressure affects the ability of the Society to attract donors and members to support the Zoo and its programs.

The impact of the loss of manufacturing jobs in Michigan has impacted both the state's economy and the economy of nearly every community within it. In addition to a drop in State shared revenue and support for specific programs – many of which must be picked up by the County - the County has experienced it's first-ever and subsequently a second consecutive year of declining property values. Given that more than half of the County's revenue base comes from property taxes, the situation has had a significant impact on revenues and revenues available for operating support of the zoo.

The downturn in the economy and resulting decline in public funds has been exacerbated by the current two-partner operating model for the Zoo, which limits and bifurcates private fundraising. Under the current operating model, the County's primary option for increasing operating revenues is limited to raising admission, education and/or rental fees. Raising admission fees could also result in declining admission revenues to the County as more individuals/families move to Society membership.

Despite the fact that the County's operating contribution has continually exceeded the benchmark average for AZA zoos, the financial challenges faced by the County and the subsequent reduction in the level of operating support to the Zoo, if continued will jeopardize the Zoo's accreditation with the Association of Zoos and Aquarium (AZA), the Zoo's professional organization with over 220 accredited institutions across the country. The John Ball Zoo's five-year accreditation inspection will be held in early August 2010 with its status reviewed and assessed as the AZA's annual meeting in September 2010. Reviewing the Zoo's "financial sustainability" - in both the short- and long-term - is a key part of the inspection team's assessment as the AZA wants to insure that its member institutions have the financial resources and capacity to more than survive in these difficult economic times... times that may continue for the next two to three years depending on economic perspective. The Zoo needs to work with the County to identify an annual appropriation from the County that is currently higher than the 2010 baseline to not only insure its AZA accreditation status but to also leverage the potential shift in governance that has the potential to save the County considerable financial resources in the very near future.

Although there are many positives about the John Ball Zoo, one of the more significant successes is the Zoo's attendance which has steadily increased from 279,000 visitors in 2002 to over 422,000 visitors in 2009 – a 51% increase in seven years!!

Benchmark Comparisons: Based on Similar Attendance

We created the following information tables on performance data from other AZA accredited zoos with similar annual attendance of the John Ball Zoo. Following each of the tables below, we have provided summary comments on the information noted.

The performance data was developed from the 2010 AZA Membership Data as submitted by the respective institutions – for the most part, 2009 financial and performance data. Each Zoo has its own characteristics and in many cases is not totally comparable. Some may have a large

collection of birds or insects while others, with a smaller collection, may have many large mammals which require more staff and care. Membership fees are current as of March 2010, although admission fees may have increased as reported.

All financial and performance data includes the total operating costs for each respective zoo – all of the benchmarked zoos operate under a public-private partnership with one management entity.

Table 1

Similar Attendance	Acres	F/T Employees	Annual Attendance	Market Saturation	Operating Budget	Invest Per Visitor	Operating Cost per Day
Fort Wayne Children's Zoo	38	57	475,000	1.16	\$5,348,000	\$11.26	\$14,652
Sacramento Zoo	15	55	466,000	0.22	\$5,089,000	\$10.92	\$13,942
Cheyenne Mountain Zoo	75	65	456,000	0.75	\$6,000,000	\$13.16	\$16,438
Arizona-Sonara Desert	45	90	425,000	0.43	\$6,975,000	\$16.41	\$19,110
Buffalo Zoo	24	66	415,000	0.37	\$5,582,000	\$13.45	\$15,293
John Ball Zoo (note 1) 2009	17	50	427,000	0.39	\$6,030,000	\$14.12	\$16,521
John Ball Zoo (2010)			400,000		\$5,344,760	\$13.36	\$14,643

Notes:

1. The Operating Budget for the John Ball Zoo reflects “combined” operations from the County and John Ball Zoological Society.
2. In terms of annual attendance, the John Ball Zoo’s 2009 attendance is the slightly lower than mid-point average of the five benchmarked institutions.
3. Market Saturation is defined as the institution’s annual attendance divided by the reported MSA population – Grand Rapid’s MSA population was reported as slightly over 1 million residents.
4. Invest (Cost) per visitor is defined as the total operating budget divided by total attendance. From a comparison basis with the benchmarked zoos, the John Ball Zoo (combined operations) is comparable to the benchmark institutions.
5. The average operating cost per day of the benchmarked group is also competitive and comparable.

Table 2

Similar Attendance	Acres	F/T Employees	Annual Attendance	Adult Admissions	Family Membership	H/H Members	Animals Per FTE
Fort Wayne Children's Zoo	38	57	475,000	\$13.00	\$89.00	48,000	12.89
Sacramento Zoo	15	55	466,000	\$9.50	\$75.00	9,500	8.33
Cheyenne Mountain Zoo	75	65	456,000	\$14.25	\$82.50	15,500	11.52
Arizona-Sonora Desert	45	90	425,000	\$13.00	\$50.00	22,500	9.38
Buffalo Zoo	24	66	415,000	\$9.50	\$65.00	18,500	10.67
John Ball Zoo (note 1) 2009	17	50	427,000	\$7.50	\$58.00	7,250	9.94

Notes:

1. The Operating Budget for the John Ball Zoo reflects “combined” operations from the County and John Ball Zoological Society
2. The Zoo’s adult admission fee is the lowest of the benchmarked group with both Buffalo and Sacramento receiving public-sector support. Cheyenne Mountain (Colorado Springs) does not receive public-sector support but does receive a large annual contribution with one Foundation
3. The low adult and child admission fees create lower membership fees as noted for the family memberships – Arizona-Sonora has a low family membership as the average household in Tucson is low as is the member visits per year.
4. The number of animals per full-time employee (FTE) is good especially compared to the Sacramento Zoo, which is similar in size and attendance. This number can increase significantly depending on the composition of the animal collection – higher numbers with collections of fish and reptiles included

The County's Annual Financial Obligations to the John Ball Zoo: Operating Fund Only

Based on our review of the financial information submitted by the County, we have created Table 3 below that summarizes Kent County's operating expenses for the John Ball Zoo (actual 2009; budget for 2010). The projected "net County investment" for fiscal years 2010 and 2011 (see notes below) are below the seven year average County investment in the Zoo – an average annual investment of \$2.716MM (fiscal years 2004 and 2006 were also lower than the average)

Table 3

Year	Attendance	Operating Revenues	Operating Expenses	Net County Investment	CIP's	Hotel/Motel Tax
2000	313,023	\$705,508	\$2,848,018	\$2,142,510	\$740	\$764,292
2001	342,292	\$800,074	\$3,228,551	\$2,428,477	\$29,458	\$1,380,554
2002	279,037	\$749,587	\$3,322,768	\$2,573,181	\$64,996	\$424,432
2003	262,271	\$715,640	\$3,469,049	\$2,753,409	\$196,195	\$410,413
2004	338,648	\$847,656	\$3,445,362	\$2,597,706	\$109,048	\$425,000
2005	326,639	\$708,378	\$3,589,202	\$2,880,824	\$109,609	\$425,000
2006	389,811	\$1,083,667	\$3,581,870	\$2,498,203	\$159,342	\$413,734
2007	419,224	\$1,185,184	\$4,181,046	\$2,995,862	\$439,472	\$400,000
2008	427,446	\$1,571,583	\$4,328,635	\$2,757,052	\$453,376	\$0
2009	424,771	\$1,576,436	\$4,122,373	\$2,545,937	\$131,145	\$0
**2010	400,000	\$1,644,622	\$3,861,200	\$2,216,578	\$302,596	\$0
***2011	380,000	\$1,853,869	\$4,060,600	\$2,206,731	\$169,948	\$0
Realistic	380,000	\$1,500,000	\$3,652,522	\$2,152,522	\$350,000	\$0
Average (2004 - 2010)				\$2,641,737		

Notes:

1. In fiscal year 2009, the County's net investment was 48% of the Zoo's TOTAL operating expenses (County & JBZS); in fiscal year 2010, the County net investment is anticipated to drop to 41% based on \$5.34MM of TOTAL operating expenses and a \$2.216MM investment. As noted earlier this report, the benchmark average among zoos is 33% - 35% of TOTAL operating expenses. Although the County's net investment in the Zoo has declined in 2010, its annual investment/contribution is higher than the zoo industry benchmark.
2. Fiscal year 2011 assumes an additional 5% reduction in the fiscal year 2010 Net County investment.

- A lower County investment will have a negative impact on attendance assuming that the Society does not increase its funding to the Zoo/County

The Society’s Annual Financial Obligations to the John Ball Zoo: Operating Fund Only

We have developed Table 4 below that summarizes the John Ball Zoo Society’s actual financial results over the past two years and budget projections for 2010.

Table 4

	2008 Actual	2009 Actual	2010 Budget
Attendance	427,400	424,000	400,000
Operating Revenues:			
Visitor Service Programs	\$1,211,300	\$1,366,000	\$1,312,000
Education Programs	\$20,300	\$28,900	\$24,800
After Hour Events	\$66,900	\$83,200	\$77,500
Memberships	\$343,000	\$424,300	\$470,000
Sponsorships	\$20,000	\$20,400	\$34,500
Contributions & Grants	\$142,000	\$129,200	\$102,700
Miscellaneous Revenues	\$6,000	\$10,000	\$7,100
Total Operating Revenues	\$1,809,500	\$2,062,000	\$2,028,600
Operating Expenses:			
Salaries & Benefits	\$1,028,400	\$1,010,500	\$955,500
Cost of Goods: VS	\$400,700	\$391,400	\$340,000
Contractual Services	\$63,000	\$147,600	\$123,000
Utilities & Telephone	\$10,600	\$12,200	\$38,000
Advertising	\$109,900	\$120,500	\$99,000
Printing & Publications	\$69,000	\$67,400	\$72,000
Maintenance/Janitorial & Repairs	\$8,900	\$17,100	\$22,000
Supplies	\$34,400	\$32,300	\$35,000
Insurance: Liability/D&O	\$53,300	\$41,700	\$44,700
Staff Development/Travel	\$10,700	\$14,600	\$10,000
Event Expenses	\$72,600	\$38,600	\$27,000
Accounting & Legal	\$9,500	\$11,000	\$16,000
Administrative Expenses	\$31,700	\$84,600	\$56,000
Computer/Internet	\$12,300	\$12,500	\$20,000
Miscellaneous Expenses	\$29,600	\$68,700	\$56,000
Total Operating Expenses	\$1,944,600	\$2,070,700	\$1,914,200
Net Ordinary Income	(\$135,100)	(\$8,700)	\$114,400

Additional Notes:

- Financial results reflect calendar year results, 2010 is budgeted
- Operating results only; does not include capital facilities investments
- Operating expenses include salaries and related costs for raising capital dollars/projects that support and enhance the John Ball Zoo.
- The Zoo Society continues to cultivate private donations/donors for the Zoo’s operating support – recognizing that the Zoo Society’s primary fund-raising focus over the past years has been on supporting new capital/facility projects. The result of the Zoo Society’s fund-raising efforts, combined with the County’s Hotel/Motel Tax appropriation, has provided for new exhibits and attractions which have allowed the Zoo’s visitation to exceed 420,000 visitors during the past two years.

Governance Options for the John Ball Zoo

In assessing the John Ball Zoo's future, and as we discussed with the Strategic Planning Committee during our May 25th planning meeting, we have identified two potential governance/organizational scenarios:

1. Status Quo – with three different funding outcomes/options
 - a. Current Funding: net of \$2.2 million
 - b. Baseline Funding: net of \$2.7 million (currently higher than the County's 2010 contribution)
 - c. New county-wide dedicated funding

2. Shift in the Public-Private Partnership with two different "private partners" options
 - a. John Ball Zoological Society (JBZS) as the sole management entity with support from the County and/or a regional funding/state-wide funding initiative
 - b. A Not-For-Profit Management Entity: a so-named "The John Ball Zoo Incorporated (JBZI)" that is created to manage and operate the John Ball Zoo under a management agreement with the County. A new Board of Directors would be identified and responsible for the management and operation of the Zoo.

There is agreement among the Strategic Planning Committee members that, in order for the John Ball Zoo to be sustainable, successful and viable in the future, the governance structure must have one management entity with a single President/CEO (Zoo Director) reporting to an independent, unencumbered Board of Directors. It is further envisioned and agreed upon by the Committee that this one management entity will be responsible for all facets of managing and operating the Zoo, including visitor services, maintenance, education, animal care/collection, development, marketing and public relations.

For the two potential governance/organizational scenarios above, we have created the following two charts that summarize the various options, their impact on the current structure and their related strengths and weaknesses (Chart 1). Chart 2 summarizes the various options in terms of their financial commitment, deal-breaker(s) and timeline for implementation. We reviewed an outline of the two charts during our May 25th planning meeting with the Strategic Planning Committee.

Chart 1: Governance Options – Impacts/Pros/Cons

Options	Impact on Current Structure	Pros	Cons
Status Quo: Current Funding (Net of \$2.2MM projected - 2010)	County: landlord and operator JBZS: must raise \$\$\$; increases staff; reduces resources JBZS: fund balances support operating costs	* Low County investment	* negative impact on donors * jeopardizes largest zoo donation * sustainability is questionable * under-funded experiences
Status Quo: Baseline Funding (Net of \$2.7MM - historical)	County: remains landlord, operator & donor JBZS: remains in support capacity	* County remains a partner * High value for the experience * Allows for some growth of programs	* County \$\$ support lower % of operations * Low admission fees for experience * Some confusion of image/awareness * Effectiveness of resources (some duplication with chargebacks)
Status Quo: New Dedicated Funding (Regional Dedicated Funding)	County: landlord; typically requires shift in governance JBZS/new NPO as agent for funding JBZS/new NPO: more regional Board * Funding vehicle already created within State	* Predictable revenues * Better utilization of County \$\$\$ (County operating \$\$\$ not needed) * Increases donor support * Could support other GR assets * Insulates County	* Voter-approval is needed? * Greater expectations?
Shift in Governance: JBZS Could be "phased" with regional \$\$	Public/Private Partnership with County & JBZS Long-term management contract * Leadership is key (Board & staff)	* Needs public sector funding # Needs 35 - 40% of baseline * County remains the landlord * If regional \$\$\$, County has no \$\$ obligation * Fund-raising is key as is Board	* Needs public sector funding # Needs 35 - 40% of the baseline * Community support is critical
Shift in Governance: New NPO Combining Operations with JBZS	New Board leadership that assumes JBZS role Requires investment from private sector * Could be a requirement with dedicated funding?	* New community leaders + JBZS leaders * Broadens the base of support * Refocuses the NPO/Zoo * Credibility * New commitment of resources	* Could lose some history/identity * Credibility (maybe) * Transition

Assumptions:

- 1. Zoo needs baseline operating support of \$2.7MM from County (historical baseline over 7 years)**
- 2. Next capital investment in new facilities will be \$11MM with first phase completed in 2012 - privately raised**
- 3. To leverage additional private investment in the Zoo, County needs to fund annual baseline of \$2.7MM**
- 4. Countywide dedicated funding would reduce funding uncertainty and leverage additional private-sector resources**
- 5. Countywide dedicated funding for zoo and other Kent County services could potentially be secured in 2012**
- 6. Shift in governance tied to capital investment, regional funding and County investment**

Chart 2 – Governance Options: Financial Commitments/Deal-Breakers/Timeline

Options	Financial Commitments	Deal-Breakers	Timeframe
Status Quo: Current Funding (Net of \$2.2MM projected - 2010)	<ul style="list-style-type: none"> * \$2.2MM from County * Higher dependency on JBZS 	<ul style="list-style-type: none"> * Funding less than \$2.2MM * Mid-term sustainability 	Now
Status Quo: Baseline Funding (Net of \$2.7MM - historical)	<ul style="list-style-type: none"> * Annual County support of \$2.65MM * County capital support for DM * Growth of JBZS programs * Insures private capital investment 	<ul style="list-style-type: none"> * Agreement on roles of partners * Declining County support * Leadership 	* Summer 2010
Status Quo: Shift in Funding Regional Funding Initiative	<ul style="list-style-type: none"> Value of 1 mil increase? County reduces support to the Zoo Underwriting of funding initiative Cost of transition funded by JBZS 	* Voter approval	*2012 - leverage with capital investment
Shift in Governance: JBZS Management agreement with \$\$ Could be "phased" with regional \$	<ul style="list-style-type: none"> County reduces support to the Zoo Underwriting of funding initiative Cost of transition funded by JBZS 	<ul style="list-style-type: none"> Lack of commitment Composition of the Board 	<ul style="list-style-type: none"> First Phase: 2011 Second Phase: 2012 with regional \$\$
Shift in Governance: New NPO Combined Operations with JBZS	<ul style="list-style-type: none"> Increase private sector support Leverages regional funding 	Identified leaders	2012 with regional \$\$\$

Future Management Structure for the “new” John Ball Zoo

Based on our professional experience in working with zoos across the country, and to have the most financially efficient and effective management structure under a public-private management model – one that provides maximum financial leverage to the John Ball Zoo, we would recommend the following:

Create a public-private governance structure for managing and operating the John Ball Zoo that combines the collective resources and staffs of the County and the John Ball Zoological Society into a 501(c)(3) not-for-profit organization. The County would remain the “public” partner and the Non-Profit would be the “private” partner as the sole operating entity for the John Ball Zoo.

The Non-Profit’s Board of Directors, their primary responsibilities outlined below, would be community and business leaders committed to “supporting” the new John Ball Zoo. The John Ball Zoo of the future must include directors who have CEO-level experience, credibility and influence; access to substantial funding; and/or represent the County’s role as its major donor or serve as stewards for regional funding. The Board would guide the successful transition of the Zoo; promote the case for support for a regional funding initiative (if so approved); and gain the financial trust and support of the Grand Rapid giving community in securing the financial resources required to operate and invest in the John Ball Zoo.

The primary roles of the County and the Non-Profit under a public-private governance model are outlined below:

County

- Ownership of the land, buildings and future facility improvements. Any future facility improvements or investments will be transferred to the County once constructed.
- Provides annual operating support and capital maintenance allocation to the Non-Profit via a direct annual appropriation or as a conduit for the voter-approved county-wide funding
- With voter approval of a county-wide funding initiative, participate in future bonding initiatives to support the Zoo’s future facility master plan implementation
- Provides general liability and property insurance coverage for County assets
- Reviews strategic direction including facility master plan

The Non-Profit

- Responsible for the operations and daily management of the John Ball Zoo including all programs, exhibits, collections, attractions, visitor services, development, fund-raising and communications
- Responsible for establishing and maintaining revenue fees and administrative policies
- Responsible for the short- and long-term vision and the development and implementation of a new facility master plan for the Zoo
- Responsible for leveraging private contributions to support the future capital facility master plan and related capital fund-raising campaigns
- Responsible for fulfilling all donor commitments and/ or pledges that support capital projects and operating programs
- Responsible for funding any operating losses incurred
- Responsible for establishing an operating reserve fund that is supported and funded through an aggressive annual endowment and/or planned giving program

The Board of Directors of the Non-Profit:

This is an exciting opportunity to transition one of Grand Rapid's treasured community assets into a renowned community resource that continues to serve the Grand Rapids region for generations to come. The successful transition can only be achieved through leadership and the support of the community.

The foundation of the transition process is the development of a new Board of Directors (up to 19 members) comprised of community leaders with a strong passion and commitment for the John Ball Zoo.

The new board will need to be comprised of the region's highest level and most well-respected executive leaders in the community, individuals who have a strong dedication to succeed, the willingness to effect change and the passion and desire to ensure the long-term success of the John Ball Zoo. Beyond the key responsibilities outlined below, the board will be peer leaders of businesses and/or serve as community stewards for the potential county-wide funding initiative. It is envisioned that, as the Non-Profit's major donor, the County will have permanent representation on the Board through its Administrator/Controller. In addition, the Board should explore opportunities to develop partnerships with universities such as the University of Michigan, Michigan State University, Grand Valley State University and/or Western Michigan University, as their core curriculums, particularly in the fields of veterinary medicine could be invaluable partnerships for the Zoo. Such partnerships could involve Board appointments as having a formal relationship with these universities and/or colleges will help to strengthen the Board and its credibility with the regional community and its funders.

With the development of the new Board, it is envisioned that the initial members of the Non-Profit Board could be appointed by the Transitional Nominating Committee made up of up to four appointees from the County and four appointees from the JBZS. Once formed and with the

expiration of the initial term, new Board members will be elected or renewed via the Board's Nominating Committee within the terms of the Non-Profit's bylaws.

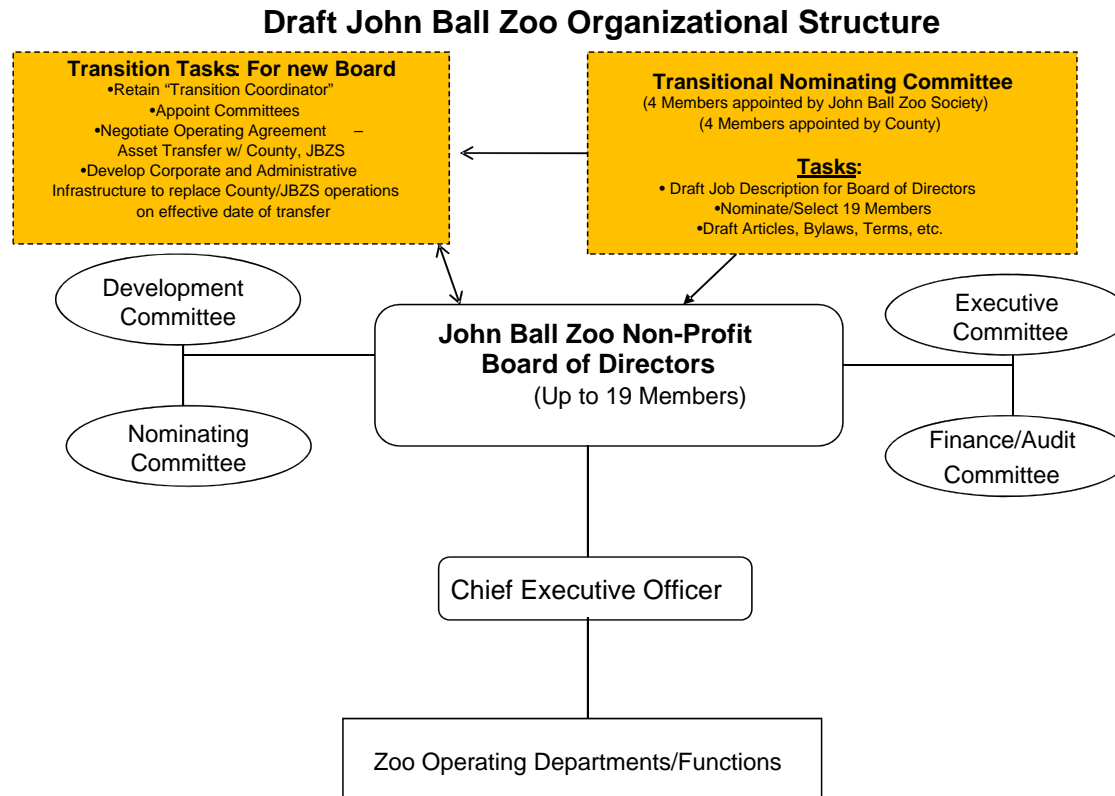
The Board will act as an independent not-for-profit corporation that will be guided by its bylaws and will manage and operate the John Ball Zoo within the terms and conditions of the Management Agreement (see term sheet outline) between Kent County and the Non-Profit.

Board member responsibilities include:

1. Provide leadership, expertise, oversight and accountability to the senior management staff in completing the transition of the John Ball Zoo
2. Be advocates for the transition in the community and encourage the participation and involvement of all in the success of the John Ball Zoo.
3. Annually, contribute to the John Ball Zoo.
4. Negotiate the long-term management agreement between the Non-Profit and Kent County for the management and operations of the John Ball Zoo, including the County's annual appropriation/regional funding initiative.
5. Hire the President/CEO (Zoo Director) of the Non-Profit and be responsible for all fiduciary and fiscal activities. The President/CEO will be responsible for managing and guiding Zoo staff and will be responsible for the implementation of the Zoo's policies and goals. Annually evaluate the performance of the President/CEO.
6. Actively participate in Board Committee(s) that serve to guide the continued development and growth of the John Ball Zoo.
7. Set new policies as required.
8. As part of a Board Committee, participate in the development of the updated long range facility master plan including capital maintenance, development planning and sustainable funding.

The proposed organizational structure for the new John Ball Zoo is summarized within Chart 3 below – see notes below

Chart 3



Notes:

1. Transition Nominating Committee (TNC) will be created as the initial task in forming the new Board.
2. The initial tasks of the TNC – which will dissolve after the new Board has been established/appointed – will be to:
 - Draft job descriptions for the Board of Directors of the Non-Profit

- Draft articles of incorporation and bylaws for the Non-Profit including term limits, Committee structures and roles. *Once the full Board has been appointed, the new Board may elect to modify or amend the bylaws as necessary.*
 - Nominate the initial 19 member Board with staggered terms to allow for the successful transition of Board members over time. Members of the TNC could serve one year terms on the new Board, subject to re-appointment by the full Board
 - The TNC would engage the “transition coordinator” who will manage the transition process on behalf of the new Board until the transition is completed, the Board has been appointed and the management structure is operational.
3. The CEO will be hired by the Non-Profit Board once the transition date for the combined organization has been established.
 4. Until the time that the CEO is hired, the Transition Coordinator utilizes the resources of the Zoo Director and the Society's Executive Director to implement the tasks to be completed for the successful transition of the John Ball Zoo. The Transition Coordinator does not supervise any employees and reports only to the President of the new Board. Typically, the Transition Coordinator is a short-term engagement (3 - 6 months; with one renewal option) that involves hiring someone from the Grand Rapids region who has strong business/people management skills and no long term desire to work for the Zoo - only a short-term stake in the future of the Zoo.

Case Statement for the “new” John Ball Zoo

Introduction

The John Ball Zoological Garden has been a regional attraction in West Michigan for 119 years making it the twelfth oldest zoo in the country. The Zoo is owned and operated by Kent County. By contract with the County, the John Ball Zoological Society (a 501 (c)(3)) operates and oversees concessions, membership, marketing, limited community education programs, group sales, exhibit construction, master planning and rental operations. The Society works within the community to raise private contributions to build new zoo exhibits improve the visitor experience and provide for additional programs and services. The County owns, oversees and maintains the animal collection, the Zoo and park property and the majority of the educational programming. Both the County and the Society contribute to the operational support of the facility.

The continuing growth in attendance, membership and earned revenue is a testament to the quality of the facility, the staff, programming, customer service, animal care, and the Zoo’s ability to remain financially accessible during bad economic times.

Zoos and aquariums play a critical role in helping people connect with wildlife and are working together to build the world’s largest conservation movement with over 143 million visitors to zoos each year. The popularity of zoos and aquariums has never been stronger as zoos are working together to help conserve, protect, restore and inform people of the importance of wildlife and wild places. For people to be able to see, a "real animal" has never been more important as our society becomes inundated with technology and virtual environments.

Other accredited zoos across the country, like John Ball Zoo, participate in global and local conservation initiatives, educate children and provide an environment for adults and children of all ages to see and experience wildlife from around the world, and help create caring attitudes for future generations to enjoy. Lastly, zoos provide fun, safe and affordable venues for families of all sizes to be together, enjoying an engaging experience in a unique setting.

Background

Attendance

The Zoo has experienced record-setting attendance for the last three years averaging 424,000 visitors annually. Despite the economy, the community continues to view the Zoo as great value for their entertainment dollars.

Visitor Satisfaction and Economic Impact

In a 2009 survey, 99.6% of John Ball Zoo visitors said they would visit the Zoo again; 99.4% said they would recommend visiting the Zoo to their friends. Nearly half of the Zoo's visitors indicated that they planned to visit or shop at other attractions after their Zoo visit and 24% indicated that they were spending the night in Grand Rapids. The Zoo estimates its economic impact in 2009 at more than \$28 million.

Capital Improvements

Driving the Zoo's attendance growth and its improved visitor experiences were the following major capital improvements and new construction that has occurred at the Zoo in the past five years:

- In 2005, the Far Side of the World Trail was blazed creating an intimate forested experience with "touch" opportunities for the visitors.
- In 2006, a permanent walk-through budgie aviary was opened.
- Also in 2006, the Stingray Lagoon with touchable stingrays and sharks helped grow attendance.
- In 2007, the first zip line in any zoo was opened at JBZ.
- In 2008, the BISSELL Lions of Lake Manyara expanded the size of the Zoo and provided the Zoo with a new pride of lions leading to record attendance that year.
- Adding to the growing list of "experiences" at JBZ, a three-story ropes course was constructed on the Far Side of the World Trail and a baby pygmy goat corral was opened as a touch experience for young children.
- In 2009, the Zoo's oldest exhibit, Spider Monkey Island, was renovated and modernized.
- Also in 2009, new yurt classroom and lemur exhibits were added to the Far Side of the World Trail.
- In 2010, the Zoo entry roads and front entry were modified to ease traffic concerns and provide enhanced access for visitors.
- 2010 also brought additional improvements for the Mighty Mike Alligator special exhibit, Monarch Butterfly exhibit to Camp Rio, and the retooling of the former lion exhibit for Guinea Baboons.
- Another unexpected addition in 2010 was the gift of one of the Art Prize winners, 'Nessie', for permanent installation in the park's front pond.

Education

The Zoo provides educational contact to over 600,000 people from Petoskey to Coldwater, working to convey a better understanding of animals and their importance to us and our ecological systems. As local school systems experience serious cutbacks, the Zoo works to fill the gap by providing science programming and experiences that are vital to a child's education. The changing needs of the community for science education means the Zoo must continually enhance and expand its offerings while at the same time keeping it affordable. Teen volunteer programs help connect local high school aged students with career options while assisting Zoo guests and animal care staff throughout the summer.

Additionally, John Ball Zoo collaborates with local universities to provide a unique environment for research and education.

JUMP

The JUMP program provides a family enrichment opportunity to economically disadvantaged families in Kent and Ottawa Counties. This program is privately funded by contributions from Alticor, Irwin Seating, Siemens Foundation, Keller Foundation, and Padnos Iron and Metal. Each child receiving a free or partially-free federal hot lunch receives a pass for their family to visit the Zoo on a day of their choosing. It also provides a free-round trip “family” GRATA bus pass to bring them to and from the Zoo.

In 2009, JUMP passes provided free zoo admission to 33,000 disadvantaged visitors. This represented a 14% increase in usage from 2008. Given the current economy in Michigan, it is expected that JUMP pass use will continue to grow.

The Community’s Investment in the Zoo

Over the last ten years, over \$10,000,000 in private contributions has been invested in new exhibits and exhibit improvements at the Zoo. In addition, during the past ten years, Kent County has contributed more than \$7.3 million in public funds towards capital support: \$2 million in CIP's and \$5.3 specifically from Hotel/Motel Tax revenues. Both the Society and the County have worked hard to improve the Zoo, a treasured community resource.

The Society is currently conducting an \$11 million campaign to add new exhibits and experiences to the Zoo. Successful completion of this campaign is expected in 2011 with construction of projects over the next three years.

The Challenge

Despite the growing attendance and community support, the Zoo’s operating budget has been reduced as a result of major revenue shortfalls affecting the County. Lower property values, loss of State funding and the depressed economy have forced the County to make reductions in all of their departments and, in particular, with “non-mandatory” County services such as Parks and the Zoo.

The loss in County funding support and operational cutbacks has forced changes in operations, including closing the Zoo during the low attendance winter months. At the same time, the current operating arrangement whereby membership, concession and some programming revenue is retained by the Society has limited the Zoo’s ability to generate operating funds except by increasing admission fees. Additionally, the contractual arrangement results in administrative inefficiencies and duplications that, in these tight financial times, neither organization can afford.

Finally, the reductions in funding and cutbacks also jeopardize the Zoo’s accreditation with the Association of Zoos and Aquarium (AZA), the Zoo’s professional organization. Financial sustainability, both in the short- and long-term, is a core accreditation criteria that the AZA wants to ensure is in place to meet the financial challenges that all not-for-profit organizations are facing. Obviously, without appropriate funding,

concerns arise over a zoo's ability to properly care for their collection and exhibits, provide quality educational services and participate in animal and education conservation programs. In addition, the loss of accreditation would compromise the Zoo's ability to work in animal management programs, apply for grant funding, acquire animals from other AZA zoos, and participate in reciprocal animal programs with other AZA institutions, among others impacts.

Further reductions in the County's operational support could have a negative impact on Zoo as attendance and earned revenues could decline along with the loss of private contributions.

As a result of funding and governance issues, the challenge has become how to best position the Zoo to ensure financial stability, providing a high quality zoo experience for visitors and the best possible care for its animal collection.

An Exciting Solution

Due to the combined efforts of the Zoo Society and Kent County, the Zoo is now in a position to move to its next phase of its organizational development. With record attendance, revenues and exceptional customer service the Zoo is on the path for success but is missing the strategic organizational structure to continue its success.

An independent consultant and the Strategic Planning Team comprised of both Zoo Society and Kent County representatives, both recognize that the Zoo has the opportunity to start fresh with a new governance structure that will take from and build on the best of the two parent organizations – the Zoo Society and the County.

Under the new plan, the County will remain as a major donor – partner – financial supporter - and will continue to own the facility and thereby share the strength of its name and reputation of stewardship with the new organization. At the same time, however, the County will release some of its "control" over the operation of the organization, enabling the zoo to take advantage of new opportunities, and operate more entrepreneurially and "timely" than it currently can as a governmental organization. In this same spirit, it is anticipated that the current Zoo Society Board members will remain involved in promoting the Zoo and soliciting community support.

Utilizing many of the already established best practices from both organizations and the new ideas brought forth through this strategic planning process, the Zoo will be building a more cohesive vision and management structure leading to more operational effectiveness. While continuity of community connections must continue, there needs to be room on the Non-Profit Board for additional professional skill sets, relationships and expertise as the new organization will be responsible for all aspects of the zoo - operational and educational functions as well as fundraising.

Both the County and the Zoo Society are committed to helping the Zoo continue to be a great community asset and economic development tool further enhancing the quality of life in our region.

This is an exciting time for the John Ball Zoo. It is a unique opportunity to create a new management model – one that is sustainable, viable and embraced by the community. By collaborating together in support of one new entity, both the County and the Zoo Society can ensure that the zoo is positioned to sustain and thrive for years to come.

The New Zoo Governance and Organizational Structure: The Non-Profit

- A 501(c)(3) not-for-profit responsible for all aspects of Zoo operations: administration, operations, facilities, collections, education, visitor services, marketing and fund-raising
- An independent Board of Directors (of up to 19 members) with one appointee from the County as a permanent Board representative
- The Board will be responsible for hiring the CEO of the Zoo, who will be responsible for managing the daily operations of the Zoo. The Board will provide governance and leadership to the CEO and Zoo.
- New Board members will be recruited based on their passion for the Zoo's mission and community, their skills, and their commitment to maintain and grow a highly successful organization. Some of the existing John Ball Zoological Society Board members may continue to participate in the Board or its Committees to retain the experience and relationships previously established by the Society - particularly its relationships with donors and pending pledge agreements. Additional community members will be recruited to participate in the Board, its committees and projects to complete and complement the leadership of the Non-Profit.
- The Board will successfully negotiate a transfer of assets agreement with the John Ball Zoological Society, if necessary, and a long-term management agreement with the County to operate and manage the John Ball Zoo, including the County's annual financial appropriation to the Zoo.

The New John Ball Zoo will:

- Operate as an independent, unencumbered organization responsible for all aspects of operating and managing the Zoo
- Cooperate with any public funding strategies pursued by the Kent County Board of Commissioners
- Work to strengthen private-sector donor support and investment in the Zoo to maintain and expand the Zoo's programs, activities, events, capital facilities, expansion, and vision
- Operate within a flexible, entrepreneurial, governance and management approach that responds to the challenges of the 21st century

- Seek well-respected community and business leaders to serve on the Board of Directors and provide their counsel and support to sustain the long-term success of the John Ball Zoo
- Work to retain, recruit, and train a highly professional staff
- Provide a viable, sustainable and accessible community asset that serves the West Michigan region

Vision Statement for the “new” John Ball Zoo

John Ball Zoo will be a leader in helping people connect with wildlife through innovative approaches, best practices and a commitment to inspire others to care about wildlife.

Alive with Wonder Vision—The “new” John Ball Zoo seeks:

- To create wonder in our visitors at the living world around us
- To protect and preserve the living creatures in our care and in the wild
- To be alive in our pursuit of excellence in education, conservation and entertainment
- To celebrate the diversity of the natural world and its people
- To be a living resource that contributes to its community’s economic, emotional, and physical health and well-being.

The Zoo’s “vision” will be fulfilled through...

- A financially stable Zoo with support from dedicated public funds, private donations and earned revenues
- Maintain and protect the Zoo as a unique natural oasis in the midst of an urban environment
- Recruit and retain a passionate, professionally developed staff that communicates with the public and each other in an open, honest fashion
- The most highly attended cultural facility in West Michigan
- Respected and loved by the local community and admired for our professionalism and conservation contributions by our national and international colleagues
- Creative in our approach to both educational and recreational experiences for our audiences

- An accessible institution that provides enriching and fun recreation for our entire community no matter their economic situation, age, race, religion, or physical challenges
- An institution known for providing genuine concern and over-the-top service to our clients
- Embraced by the philanthropic community whose members compete to be a part of our Board of Directors
- To be sustainable financially, environmentally, and culturally and to be a leader and active partner with our community in making our entire region successful in all of these areas

Preliminary Pro Forma Operating Budget

We have created the following pro forma financial projections for operating the John Ball Zoo under one management entity -

	Baseline for JBZI
Attendance	425,000
Operating Revenues:	
Admissions	\$1,380,000
Visitor Service Programs	\$1,350,000
Education Programs	\$205,000
Group Sales	\$90,000
Memberships	\$480,000
Sponsorships	\$35,000
Contributions & Grants	\$140,000
Annual Fund Support	\$90,000
Miscellaneous Revenues	\$10,000
County Operating Support	\$2,700,000
Total Operating Revenues	\$6,480,000
Operating Expenses:	
Salaries & Benefits	\$3,842,430
Cost of Goods: VS	\$350,000
Contractual Services	\$303,880
Animal Food	\$120,000
Vet Supplies	\$44,100
Utilities & Telephone	\$690,060
Advertising	\$200,000
Printing & Publications	\$80,000
Maintenance/Janitorial & Repairs	\$188,000
Supplies	\$96,300
Insurance: Liability/D&O	\$171,000
Staff Development/Travel	\$21,500
Event Expenses	\$57,000
Accounting & Legal	\$47,000
Administrative Expenses	\$93,730
Computer/Internet	\$28,000
Miscellaneous Expenses	\$147,000
Contingency Expense	\$100,000
Total Operating Expenses	\$6,480,000

Additional Notes: Operating Revenues

- Attendance at 2009 actual visitation levels; increases over 2010 with new management
- Admissions assume current per capita spending levels
- Education programs includes fee-based summer and workshop classes
- Memberships increase in the number of households; current per capita
- Contributions & Grants increase with new “independent” management entity
- Annual Fund focuses on individual/major donors supporting Zoo operations
- Annual County Operating Support is based on seven-year “average” funding level

Additional Notes: Operating Expenses

- Total 2010 combined operating expenses for Society and County is \$5.8MM
- Salary & Benefit expenses reflect additional staff to support animal programs, visitor experience, current County overhead services (HR, purchasing, IT) and eliminates duplication of management services; current employee benefit allocations
- Contractual services includes current facilities and maintenance expense with 7% increase
- Utilities are 6% higher than current 2010 budget
- Investment in “advertising” services – total additional investment of \$100k
- Maintenance & Supplies reflects 4% increase over current 2010 level
- Insurance reflects the cost of general liability coverage as “independent” entity
- Administrative Expenses reflect credit card fees
- Miscellaneous expenses includes current allocation for County “capital outlay”
- Contingency Expense is less than 2% of total operating expenses

The above pro forma reflects our preliminary baseline projections based on the 2009 financial results and 2010 budget estimates of the County and Society for managing and operating the Zoo. The preliminary projections assume that the Non-Profit operates as an independent management entity and not encumbered by County regulations. The pro forma projections assume that Zoo will not utilize the County’s Central Service departments in operating the Zoo as these services will be provided by Zoo staff (new or expanded responsibilities) or by others. Central Service departments that supported the Zoo under County management included human resources, purchasing, IT, fiscal management and administrative services.

The pro forma projections eliminate the redundancy and inefficiencies associated with currently having two organizations manage the John Ball Zoo and therefore provide “savings” in terms of today’s total dollars invested. However, new staff positions (curators, keepers, and vet among them) need to be funded and filled to support the Zoo’s core animal programs, visitor experiences and facilities.

As part of the next step transition planning, additional planning and analysis of the operating revenues and expenses will need to be completed, as the terms of the management agreement between the County and the Non-Profit are further defined.

The preliminary pro forma projections assume that the County provides annual support to the Non-Profit at its seven-year funding level (\$2.7MM) which is higher than the current 2010 funding level.

For the new John Ball Zoo to be successful and for the Zoo to leverage all of the available opportunities and resources, the County needs to invest in the Zoo at a higher level than its 2010 investment for at least the next two years (2011 and 2012) as this short-term investment will instill confidence from the community in supporting the new Zoo through either additional contributions or their support for a county-wide funding initiative.

Should a county-wide funding initiative be approved by the voters, it is anticipated that the County’s annual funding to the Zoo would terminate or be significantly reduced assuming that the county-wide initiative generated at least \$2.7MM in annual operating support for the Zoo.

Next Steps: Plan-of-Action

1. Create the new management entity – the Non-Profit
 - a. Identify up to four representatives each from JBZS and the County to form the “Transition Nominating Committee.”
 - b. Engage the services of a “Transition Coordinator” to manage and guide the transition process

2. Develop Transition Plan
 - a. JBZS’s role in the short-term with transfer of assets to the Non-Profit, if necessary, at the transition date

-
- i. Short-term lease agreement with County currently thru December 31, 2010 – may need extension on services and roles depending on the transition date of the Non-Profit
 - ii. Thereafter, JBZS will dissolve upon transfer of assets to the Non-Profit, if necessary
 - b. Identify Funding Strategies for Zoo in the short-term and long-term:
 - i. County’s operating commitment through transition – target goal of \$2.7 million in 2011 and 2012
 - ii. Complete current capital fund-raising for \$11 million investment phase
 - iii. Identify transition funding strategies and need
 - iv. Create case for support for county-wide funding initiative; assess funding partnerships and viability
 - 1. Cultivate County Commissioners – review case for support and need
 - 2. Determine best case and timing – opportunity to fund “non-mandatory” County services; could be Zoo only or consolidated effort with valued partners such as Parks – need to test viability with voters
 - 3. Test feasibility of county-wide initiative with key major donors and community leadership
 - 4. Determine approval process for county wide funding initiative
 - 5. Determine millage value and size based on partners: 0.2 mil increase would generate approximately \$4 million in new resources, utilizing 2010 dollars/values
 - 6. Identify “PAC” composition and funding
 - a. JBZS could provide initial seed funding for PAC in 2011
 - 7. Polling, testing and communicating message points based on case for support
 - 8. Develop campaign plan and rollout for county wide initiative
 - v. Identify plan to support the Zoo’s deferred maintenance needs

- c. MOU between County, JBZS and the Non-Profit
 - d. Identify “internal steps” within County to get approvals of new John Ball Zoo
- 3. Develop Management Agreement with County and the Non-Profit for operating and managing the Zoo - need to identify the transition date. Develop a “term sheet” that would serve as the contract outline for the Management Agreement between the County and the Non-Profit. The term sheet outlines the key contract conditions including funding commitments from the County.
- 4. Need to create a communication plan to “tell the story of success” of the John Ball Zoo
- 5. Preliminary Timing for moving forward
 - a. The Non-Profit – first quarter of 2011
 - b. Full transition – January 2012
 - c. Countywide dedicated funding initiative – August 2012