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Office of the City Manager
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March 22, 2005

Finance and Management Committee
Oakland, CA


RE: REQUEST FROM THE EAST BAY ZOOLOGICAL SOCIETY TO
DELAY UNTIL JULY 1, 2005 THE IMPLEMENTATION OF TWO
PROVISIONS (LIVING WAGE AND ONE FREE DAY PER MONTH
FOR OAKLAND RESIDENTS) OF THE NEW FIFTEEN YEAR
MANAGEMENT AGREEMENT FOR KNOWLAND PARK AND ZOO

Dear Chairperson Quan and Members of the Committee:

Resolution No. 78872 C.M.S., adopted on October 19, 2004, authorizes an agreement between the City of Oakland and the East Bay Zoological Society, Inc., (EBZS) for the management of Knowland Park and Zoo, for a fifteen-year period expiring on October 31, 2019. The agreement has been forwarded to the EBZS for signature but remains unsigned.

The EBZS has submitted the attached letter which requests Council approval to delay implementing two provisions of the management agreement until July 1, 2005 and explains the reasons for the request. The two provisions requested for consideration are living wage and the one free admission day per month for Oakland residents.

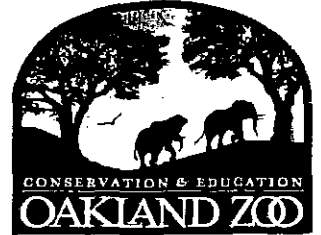
Respectfully submitted,


DEBORAH A. EDGERLY
City Administrator

Item No. _____
Finance and Management Cmte.
March 22, 2005

February 15, 2005

OAKLAND
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Deborah Edgerly
City Administrator
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Dear Deborah,

Enclosed is the letter to the City Council Members.

Thank you for your assistance.

Sincerely,


Joel J. Parrott, DVM
Executive Director

**EAST BAY ZOOLOGICAL
BOARD OF TRUSTEES**
A non-profit organization

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www.oaklandzoo.org

February 15, 2005



Dear Members of the Oakland City Council,

The East Bay Zoological Society and the City of Oakland desire to complete the new 15-year Management Agreement. The Agreement has provisions to implement the "living wage" ordinance and "one free day" per month for Oakland residents. The EBZS fully supports these provisions. Our problem is that we do not have the cash. In fact, we recently asked the City for a short-term loan, and Deborah indicates that it would take six weeks at the soonest for the City Council to provide her with the authority to make a short-term loan. The EBZS thinks it is imprudent and is not in a position to sign an Agreement which has obligations that we don't have the cash to meet, and will not have until we go through the City budget request process this May and June.

Our choices are to not sign the Agreement and continue to operate the OZ on a month-to-month basis as provided for in our current Agreement; or request the City Council to delay our implementing these provisions until July 1, 2005. Since Deborah wants to get the Agreement signed, this necessitates our request to delay the implementation of these two provisions until July 1.

Deborah requested that we submit this letter to you. Because of the importance of these provisions and the Zoo's shortage of cash and number of key operating positions not filled because of our shortage of funds, you deserve to understand the circumstances which have led to this request.

Back Ground Information

In 2003 the OZ lost \$457,000 because of a sharp increase in uncontrollable expenses and the closing of the Children's Zoo to rebuild it. Covering this loss used up most of our cash reserves. In 2004, working with the Stanford Business School Consulting Team (ACT) it was determined that in the future it was not possible for the OZ to maintain its quality, educational programs, and AZA Accreditation without a significant increase in the subsidy from the City of Oakland and the EBRPD. The OZ receives about \$600,000 in support from the City (\$200,000) and EBRPD (\$450,000) or about 8% of our operating expense. The average for other comparable Zoos in California and the US is 35% governmental support. We can't keep our prices comparable to the SF Zoo when it receives \$4,000,000 per year from the City plus Bonds for Capital projects and charitable gifts.

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We submitted a budget request for an annual subsidy of \$1,200,000 to the City in June of 2004, but were told the City had no funds and that we would have to resubmit a budget for the 2005-2006, 2006-2007 years later in 2004. At that time and again in October when we submitted our current budget request, we told the City we may run out of cash in February or the first few weeks in March 2005 and would need a short-term loan from the City. To help meet our financial needs, in July and September 2004, we increased our fees for gate, parking and membership, and increased our Annual Fund Campaign goal by 33% to \$200,000. Despite this, our revenue to date has been below budget and we have not filled the open positions in our food service, gift shop, maintenance, and several key educational positions including our Director of Education. Our staff had experienced a 10% reduction in force and had gone more than two years without any salary or wage increase. This is no longer tolerable. We now cannot justify financing the OZ off the backs of our employees.

Our projections are to have about \$150,000 in cash reserve (less than one week of operating expenses) in the first few weeks of March depending on the weather and therefore gate attendance in February. *In short we are one or two rainy weeks from not being able to pay our bills.*

Last week we requested a \$200,000 short-term loan from the City and were told that the City Council would need to authorize this and it would take longer than the time when we will have our potential cash crisis. We are exploring other options. Deborah recommended that we modify our current budget request to add a provision that authorizes the City to provide the OZ with a short-term loan in February/March 2006 if our budget funding for 2005-2006 is not sufficient to cover our cash needs during the low point of our cash reserves. We will do this.

In October 2004, when the City Council offered the EBZS a new 15-year Management Agreement with the "living wage" and "one free day" provisions, we thought our increased fees would cover the projected increased cost of \$50,000 to \$75,000 between January and July of 2005 to implement these two provisions. Since our revenue has not increased, we don't have the cash to implement these provisions and our contract remains unsigned.

In October/November, the City provided the OZ with a \$600,000 grant from the Measure K bond funds to be used to make capital improvements (total need of \$1,200,000) to help the OZ maintain its Accreditation from the AZA. We are very grateful for this help and this grant helped us secure another five-year Accreditation.

In awarding this grant, several Council Members encouraged us to explore obtaining operating subsidies from other governmental entities such as the Counties, EBRPD, California State Parks, etc. which would match the regional nature of our service area. We are pursuing these possibilities. It is clear that while this may produce some favorable results in the long-term, new sources of funds won't materialize quickly, and the OZ must depend on increased funding this June from the City.

Current Situation

To our knowledge, the Oakland Zoo is greatly under-funded by governmental agencies compared to other comparable zoos; and under-funded compared to what the City either directly or indirectly funds the Oakland Museum, Chabot Science Center and Aquatic Park (% of operating expense). There is a limit as to what we can accomplish without adequate funding for the 500,000 visitors that we expect to serve in 2005.

The East Bay Zoological Society would like to sign the new Management Agreement. To do so, we need to delay the implementation of the "living wage" and the "one free day" provisions until July 1, 2005. By then our cash flow will be sufficient to cover the increased costs, and we will have completed the City's budget and new funding process for the 2005-2006 fiscal year.

Thank you in advance for considering this request. We will be happy to attend the Finance Committee and the City Council meetings to discuss these issues further. If you desire additional information prior to then, please let us know.



Dr. Joel Parrott
Executive Director



Bob Montgomery
President, EBZS Board