

Performance Audit of the San Francisco Zoo

INTRODUCTION

The Budget Analyst of the City and County of San Francisco has performed this *Performance Audit of the San Francisco Zoo* (the “Zoo”) pursuant to direction received from the Board of Supervisors under the authority granted by Charter Section 2.114.

Project Scope

The scope of this performance audit included a comprehensive audit survey and selection of specific subject areas for detailed examination and analysis. The specific areas addressed in the performance audit are shown in the Table of Contents. Section 1.1 of the report, “Animal Management and Care,” is the most detailed, accounting for a little less than one-fifth of the entire report. Section 1.1 also includes an examination and evaluation of the animal care afforded the bison located in Golden Gate Park in a facility under the control of the Recreation and Park Department.

Methodology

This *Performance Audit of the Zoo* was performed in accordance with standards developed by the United States General Accounting Office, as published in *Government Auditing Standards, 1994 Revision* by the Comptroller General of the United States. Accordingly, this performance audit included the following basic elements in its planning and implementation:

Entrance Conference: An entrance conference was conducted with the Zoo Director and management staff to discuss the performance audit scope, procedures, and protocol.

Pre-Audit Survey: A pre-audit survey was conducted to familiarize the performance audit staff with the operations of the Zoo, interview upper management, and collect basic documentation regarding Zoo operations. As a result of the work completed as part of this pre-audit survey, areas of Zoo operations requiring additional review and analysis were identified.

Field Work: Field work was conducted in the specific areas that we determined would be included in this study. Middle managers, supervisors, and line personnel were interviewed to obtain details regarding Zoo operations. In order to complete the analysis contained in this report, we conducted a survey of Animal Keepers and we also conducted extensive reviews of Zoo records.

Analysis and Preparation of Draft Report: At the conclusion of the field work phase of this study, we conducted detailed analyses of the information collected. Based on these analyses, we prepared our findings, conclusions, recommendations, and estimates of costs and benefits from implementation of our recommendations. We reviewed the findings, conclusions, and recommendations with each manager directly responsible for the audited area. The analyses were incorporated into a draft performance audit report, which was then provided to the Zoo for review.

Exit Conference and Preparation of the Final Report: We held an exit conference with the Zoo Director and the upper management of the Zoo to review the details of the report, and to identify any areas of the report requiring clarification or correction. Based on this exit conference, and further discussions, we considered the comments and clarifications provided by Zoo management and this final report was prepared and issued to the Board of Supervisors.

Current Organization, Budget and Staffing of the Zoo

The primary operating divisions of the Zoo are:

- The Animal Management Division – including three Animal Sections: Primates/Carnivores, Hoofstock/Pachyderms, and Birds; Special Collections (including the Children’s Zoo, the Insect Zoo, and the Animal Resource Center); the Staff Veterinarian; the Curator of Collections (including the Animal Commissary); the Maintenance Division; and the Conservation and Science Section.
- Visitor Services (including Merchandise, Food Service, Rides and Admissions, and Operations)
- The Education Division

Other operating and support functions include the following:

- The Finance Division
- Human Resources
- Development and Marketing (including Membership, Events, Gifts and Contributions, and Public Relations)
- Capital Projects (including the Curator of Planning, Facilities Maintenance, and the Horticulture Section)

The Zoo’s organizational chart is shown on the following page.

Zoo's Org Chart

The Zoo's budgeted *operating revenues* for Fiscal Year 1999-2000 are \$15,316,226, from the following sources:

<u>Description</u>	<u>Amount</u>	<u>Percentage Of Total</u>
Contributions	\$1,200,000	7.83
Board Giving	400,000	2.61
Fundraising	691,885	4.52
Membership	1,579,200	19.31
Estate Bequests	300,000	1.96
Education Income	165,207	1.08
Retail Operations	3,709,210	24.22
Children's Zoo	72,500	0.47
Interest	97,350	0.64
Miscellaneous Income	297,000	1.94
Gate Admissions	2,697,400	17.15
Management Fee	4,000,500	26.12
Lorikeet Exhibit Revenue	<u>175,974</u>	<u>1.15</u>
Total Support and Revenue	\$15,316,226	100.00

The Zoo's budgeted *operating expenses* for Program Services and for Support Services are \$15,316,226, as follows:

<u>Program Services</u>	<u>Amount</u>	<u>Percentage of Total</u>
Retail Operations	\$2,969,578	19.39
Membership Services	719,566	4.70
Animal Department	4,374,383	28.56
Lorikeet Costs	228,382	1.49
Admissions	<u>293,435</u>	<u>1.92</u>
Total Program Expenses	\$8,585,344	56.05
<u>Support Services</u>		
Fund Raising	535,848	3.50
Marketing	958,002	6.25
Education	681,806	4.45
General & Administration	1,417,150	9.25
Building & Grounds	2,966,254	19.37
Interest Expense	<u>157,580</u>	<u>1.03</u>
Total Support Services	6,716,640	43.85
Total Expenses	<u>\$15,301,984</u>	<u>99.91</u>
Operating Surplus	\$14,242	0.09
Total Expenses and Operating Surplus	<u>\$15,316,226</u>	<u>100.00</u>

Zoo employees totaled 297 as of August 11, 1999, including 136 regular, full-time positions and 161 other position categories (regular, part-time; temporary, intern, Summer season, or as-needed), distributed among the Zoo organization elements in accordance with the following table.

	Regular, Full-time	Percentage	Other Categories	Percentage	Total	Percentage
Administration	18	13.2	4	2.5	22	7.4
Animal Management	54	39.7	45	27.9	99	33.3
Development/Marketing	11	8.1	5	3.1	16	5.4
Operations	23	16.9	4	2.5	27	9.1
Visitor Services	28	20.6	103	64.0	131	44.1
Zoo Director	<u>2</u>	<u>1.5</u>	<u>0.0</u>	<u>0.0</u>	<u>2</u>	<u>0.7</u>
Total	136	100.0	161	100.0	297	100.0

Based on the Zoo's animal collection database, as of October 15, 1999, the animal collection consisted of the following number of species and specimens within each class of animals shown below:

<u>Mammals</u>	<u>Birds</u>	<u>Reptiles</u>	<u>Amphibians</u>	<u>Fishes</u>
89/305	76/351	27/54	7/19	8/132

Phase II of the Zoo's Master Plan

Under the terms of the Lease Agreement between the City and the Zoological Society, the Zoological Society is required to meet two goals with respect to fundraising for the Zoo's capital projects in order to implement the first two phases of the Master Plan. The first is to raise \$10 million from private donations for a "Founder's Fund" within the first five years of the Agreement. The \$10 million was to be allocated as follows: (a) \$5 million for capital improvements (separate from the Phase II total sum of \$73 million); (b) \$2 million for operating expenses; and (c) \$3 million for the Zoological Society's Endowment Fund. By June 30, 1996, the Zoological Society met this goal by raising approximately \$11.5 million toward the Founder's Fund, of which \$6.8 million has been expended for capital improvements. These funds were allocated for improvements and new exhibits under Phase I of the Zoo's revised Master Plan.

A revised Master Plan for the Zoo was completed in 1994. The plan describes a four-phase program to modernize the Zoo. It calls for a Zoo which is divided into geographic regions according to the part of the world that the animals come from and which contains natural habitats that allow the animals to roam undisturbed.

The second requirement under the Lease Agreement is for the Zoological Society to raise \$25 million in private donations for Phase II of the Zoo's Master Plan. The \$25 million is to accompany the \$48 million in proceeds from a 1997 Zoo General Obligation Bond measure, for a total of \$73 million to be used for Phase II capital improvements at the Zoo. As of December of 1999, the Zoological Society has raised approximately \$21 million and reports that its goal is to raise the full \$25 million in private donations by December 31, 2000.

The Zoological Society Board of Directors and Zoo management consider implementation of Phase II of the Master Plan to be an absolute necessity for development of a first-class Zoo. The task of implementing Phase II consumes much of the current management effort at the Zoo, and will continue to do so for a number of years.

As part of this management audit, the Budget Analyst reviewed and analyzed the Zoo's capital project expenditures since the Zoological Society took over management of the Zoo in 1993. We also reviewed the proposed capital project expenditures under the Zoo's \$73 million capital improvement project, known as Phase II of the Zoo's Master Plan.

Accomplishments

Performance audits by nature focus on opportunities for service improvements, greater operational efficiencies, compliance with rules and regulations, and enhanced effectiveness. We must note however, that the Zoological Society has achieved many notable accomplishments at the Zoo. This report includes examples of such accomplishments, particularly in the areas of veterinary care and general animal care.

The Zoological Society has provided the Budget Analyst with a listing of Society accomplishments at the Zoo since the Management Agreement went into effect. That listing, unedited by the Budget Analyst, is shown below in its entirety.

San Francisco Zoological Society Accomplishments from 1993-1999

Since signing the Lease Partnership Agreement in 1993, the San Francisco Zoological Society has made great strides serving its major constituents: the Animals, the Public, and the Global Conservation Community, as well as fulfilling its role in its Partnership with the City. At the heart of the transformation of the Zoo are several key improvements in animal care, financial management, and public service and community outreach. The transformation of the Zoo is well underway,

and there is highly visible progress. The following are specific accomplishments and improvements for the benefit of the Zoo's major constituents.

D) The Animals: Animal care at the San Francisco Zoo has improved dramatically over the last 5 years and is now acknowledged to be excellent. This has been the first priority for Society resources. Over the past 6 years, the Zoological Society has invested over \$17,000,000 in 7 new animal exhibits, 20 animal exhibit renovations, and 13 major maintenance projects. With the guidance of Dr. Freeland Dunker, veterinary care has improved greatly and is seen by staff and external experts as an exceptional strength of the Zoo. These factors, and the devotion of well-trained animal staff, have resulted in an animal collection that is healthy, that plays a crucial role in species survival programs, and that inspires and educates visitors.

A) Exhibits: The Society raised and spent \$17,000,000 on new construction projects, renovations, improvements and maintenance of exhibits. Some of the projects listed have involved the complete rebuilding of structures, major landscaping and irrigation of areas, installation of animal management features and animal enrichment devices. Public concerns such as public viewing, barriers, or safety-related repairs were incorporated in the renovations.

1) New Construction

- | | |
|---|---------|
| (a) Feline Conservation Center | (09/94) |
| (b) Australian WalkAbout | (06/95) |
| (c) Wart Hog Exhibit | (03/96) |
| (d) Children's Zoo Entrance Complex | (09/96) |
| (e) Avian Conservation Center | (04/97) |
| (f) African Lion Cub Exhibit | (05/97) |
| (g) Rainbow Landing (lorikeets) | (04/98) |
| (h) Puente al Sur (Bridge to the South) | (05/99) |

2) Major Renovations & Improvements

- | | |
|--|---------|
| (a) North American river otter exhibit | (05/94) |
| (b) Lion House outdoor grottos | (09/94) |
| (c) Spectacled bear exhibit | (10/94) |
| (d) Zebra Yard | (11/94) |
| (e) Eagle Island | (06/95) |
| (f) African wild dog exhibit | (05/95) |
| (g) Flamingo Lake | (06/95) |
| (h) Monkey Island demolished | (07/95) |
| (i) African elephant exhibit | (08/95) |
| (j) Hippopotamus exhibit | (11/95) |

(k) Tropical Building (indoor aviary)	(05/96)
(l) Ring-tailed lemur exhibit	(07/96)
(m) Kodiak bear exhibit	(11/96)
(n) Gerenuk yard	(04/97)
(o) Creation of the Billabong	(05/97)
(p) Aye-Aye Forest (Nocturnal Gallery)	(08/97)
(q) Asian elephant exhibit	(12/97 & 3/99)
(r) Pygmy hippo exhibit	(08/98)
(s) Primate Discovery Center Terrace	(11/98)
(t) Children's Zoo Barnyard	(03/99)

3) Major Maintenance projects

- (a) The Zoo's aging infrastructure was successfully replaced by DPW with the 1990 Earthquake Bond with minimal disruption to the Zoo and its guests
- (b) Holding areas were built behind mountain goat yard
- (c) The Africa barn's roof was replaced
- (d) Roof and floors were replaced in the Insect Zoo
- (e) Installed shift doors between bear grottos to provide bears with access to other exhibits
- (f) Installed heating and filter system to the macaque pool
- (g) Renovated and graded black rhino yard
- (h) Added softer substrate to the giraffe and Asian elephant exhibits
- (i) Transitioned old capybara exhibit to garden
- (j) A pool for fishing cats was constructed
- (k) The former lion cub exhibit was remodeled to accommodate tigers
- (l) Temporary repairs were made to prevent further deterioration to the Mother's Building
- (m) Installed heating and air conditioning to exhibits in the Primate Discovery Center

B) Veterinary Care: Under the leadership of Dr. Freeland Dunker, the quality of veterinary care has improved greatly and is seen by staff and external experts as a great strength of the Zoo. The veterinary staff has made a number of important improvements over the last 5 years:

- 1) Provide care for approximately 749 animal patients, 24 hours a day, 7 days a week. Quality of animal care meets or exceeds all requirements of the AZA. By meeting these criteria, AZA accreditation was renewed in 1994 and 1998.
- 2) Expanded on-call veterinary staff, increased clerical support
- 3) Streamlined medication purchasing system

- 4) All animals at the Zoo now receive regularly scheduled periodic checkups and preventive care
 - 5) The Zoo Hospital strengthened its role in educating externs and animal staff in the recognition and treatment of exotic species
 - 6) Provide emergency care for marine mammals and birds brought in by GGNRA, the Randall Museum, Steinhart Aquarium and the U.S. Forestry Service.
 - 7) Purchased new equipment and upgraded existing equipment. Examples include:
 - (a) Endoscope
 - (b) Computer network upgrade and Y2K compliance
 - (c) Ultrasound machine
 - (d) Video monitoring and recording device for endoscopy
 - (e) Capture equipment (i.e., nets, crates, flexible stretcher, etc.)
 - 8) Significant animal care accomplishments include:
 - (a) Asian elephant's Mycobacterium tuberculosis treatment
 - (b) Evaluated and modified preventative medicine program
 - (c) On-going dietary and nutritional studies being researched and developed with a number of species in conjunction with other institutions
 - (d) The Hospital staff developed and performed intensive neo-natal care for a variety of animals
 - (e) Provide externships for a number of veterinary students and technicians
 - (f) Diagnosis and treatment of cancer in koalas and endangered felines
- C) Animal Management: Animal management staff, who have played a critical role in the improvements in animal care, have made a number of changes to build skills and enable greater care.
- 1) Emphasis on education and staff development has increased. This includes participation in training workshops given by other zoo professionals. Some animal keepers are in continuing education and use their unique connection to the Zoo to research for their thesis papers.
 - 2) The Zoo has established animal keeper staging areas adjacent to the exhibits
 - 3) Curators and animal keepers have participated in the development of a comprehensive, long-term animal collection plan
 - 4) A portion of the browse collection program (i.e., eucalyptus leaves, acacia branches, etc., fed to many animals) transitioned to the Horticulture staff, freeing up animal keeper time so they may focus on animal care
 - 5) Animal keeper staff was reorganized into Animal Management divisions (carnivores/primates, birds, hoofstock/marsupials/pachyderms, and special collections), resulting in more specific roles and responsibilities

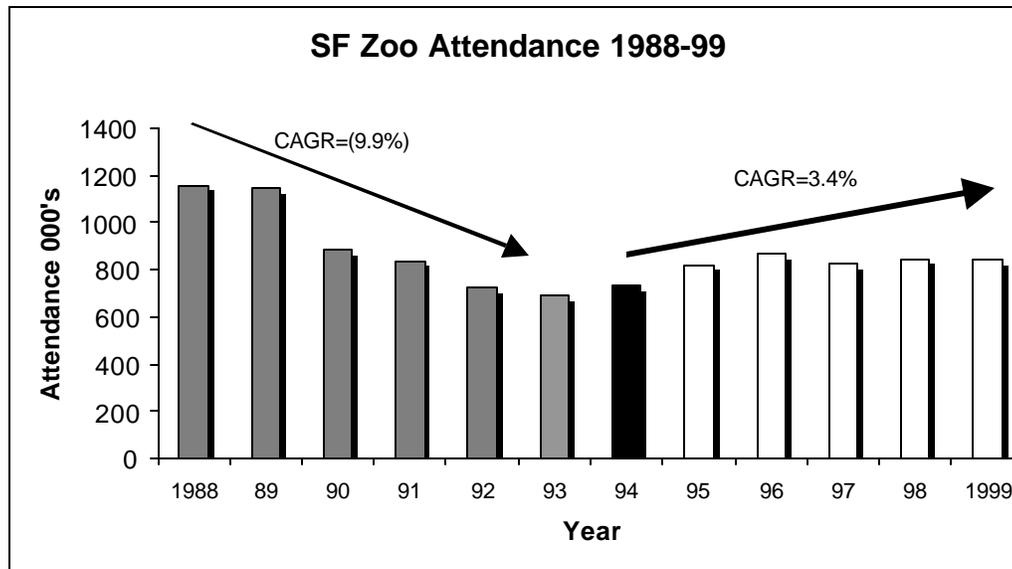
- 6) Animal keepers have developed and implemented a series of operant training procedures resulting from courses and training offered by the American Association of Zoo Keepers, and with consultation with other zoos.
- 7) Numerous animal enrichment programs have been designed and implemented by the Animal Management staff
- 8) Increased field study projects for animal keepers, i.e., lemur release project in Madagascar; census-taking of large herbivores in Africa
- 9) Conference participation has expanded (American Association of Zoo Keepers, AZA regional and national conferences, special interest seminars).

D) Significant Births since 1993: The Zoo has been involved in the American Zoo and Aquarium Association's Species Survival Plans (SSP), and continues to breed species based on SSP recommendations, working to maintain captive populations of threatened or endangered species in North American zoos.

- 1) Western lowland gorillas (2)
- 2) Black rhinoceros (3)
- 3) Bald eagles (33)
- 4) Koalas (6)
- 5) Snow leopards (3)
- 6) Francois' langurs (6)
- 7) Howler monkeys (3)
- 8) Emperor tamarins (7)
- 9) Ring-tailed lemurs (2)
- 10) Magellanic penguins (20)
- 11) Snowy owls (3)
- 12) Musk oxen (10)
- 13) Madagascar cichlid fish (>100)
- 14) Navajo churro sheep (4)
- 15) Black & yellow dart poison frogs (10)
- 16) Nigerian dwarf goats (7)
- 17) Nyala (6)
- 18) Kookaburras (7)
- 19) Water buffalo (4)
- 20) Bennett's wallaby (1)
- 21) Bushbaby (1)
- 22) Squirrel monkey (1)
- 23) Blackbuck (1)

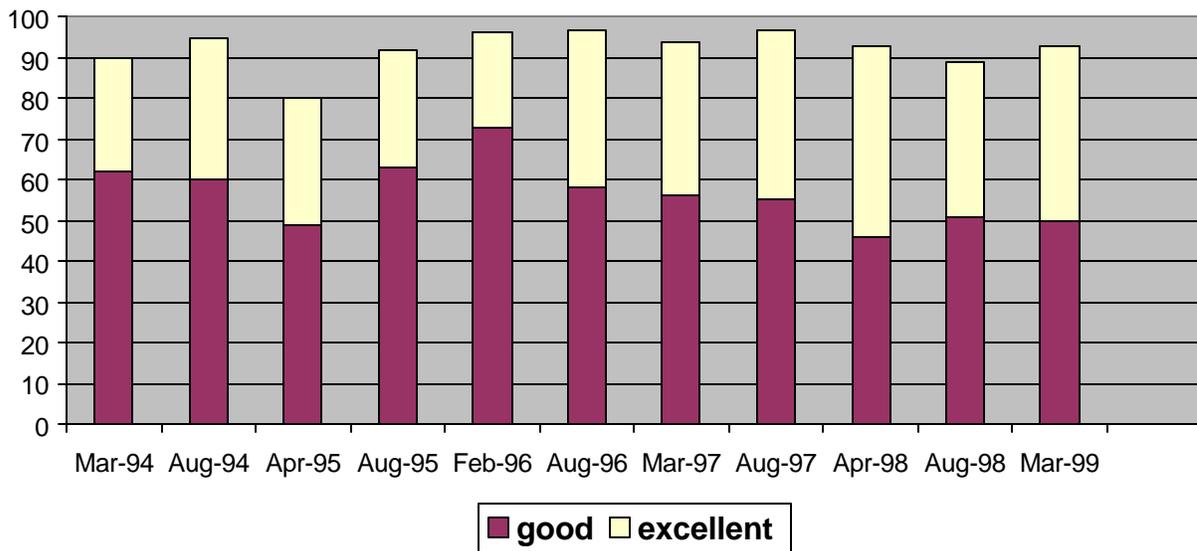
II) The Public: The public has responded to the improvements at the zoo and its programs under the partnership and has supported the Zoo through increased attendance and by passing Proposition C, the Zoo Bond, in June 1997.

A) Attendance: The Zoo has reversed the rapid decline in attendance seen during the last years of City operation of the zoo through effective marketing and improvements to the animal and visitors facilities.



- 1) The Zoo has had over 4,700,000 visitors in the last six years. Attendance increased by 22% in the last five years. This represents a turnaround of the rapidly declining attendance experienced in the last 5 years of City operation of the zoo.
- 2) Over 20% of all admissions are free, resulting in wide access to Zoo by all segments of the Bay Area. In addition to the mandated 12 free days, the Zoo has added an additional eight free days which coincide with San Francisco school teacher work days.
- 3) Additional free access is provided under the Zoo's extensive Community Access Program for "non-profit organizations providing services to person who are physically or mentally disabled, children, youth or women at risk, homeless, alcoholic and/or chemically recovering, low income seniors, AIDS Programs and financially impoverished"
- 4) Discounts are provided for San Francisco residents, Muni riders, disadvantaged access groups, and San Francisco Recreation and Park groups

- 5) Well designed marketing and advertising campaigns and expanded public relations efforts have heightened the public's awareness about the Zoo, and helped to illustrate the Zoo's progress and its mission.
- 6) The Zoo has embarked on a series of ethnic outreach programs to increase its accessibility to the community at large.
- 7) Entry fees remain at or below fees charged by other similar San Francisco attractions and entertainment/recreation facilities based on a survey of 17 comparable institutions conducted by the Budget Analyst. In particular, admission fees for children are the lowest of all institutions and those for seniors are among the lowest.



B) Public Services: A number of other important improvements have been made. As a result, over 90% of visitors rate their overall satisfaction with their zoo visit as good or excellent.

- 1) A Zoo web site was developed and launched, giving the public 24-hour access to information on Zoo animals, visitor information and events
- 2) A "Meet the Keeper" program was developed and implemented. These scheduled keeper talks have proven popular with the visiting public.
- 3) Cal Trans highway and street signage were added, directing visitors to the Zoo
- 4) All public restrooms have been painted and repaired
- 5) Major areas of the Zoo underwent new landscaping and beautification

- 6) The historic Little Puffer miniature steam train was rebuilt and now operates daily on a new one-third mile track
 - 7) Upgraded Playfield Café, Terrace Café, Plaza Café and eating areas
 - 8) Graphics and signage have been upgraded and standardized; this is a continuing process
- C) Education: Education is a major component of the zoo's mission. Over the last 5 years, the scope and reach of the zoo's programs have increased significantly.
- 1) The Zoomobile (educational outreach program using live animals) presents to approximately 13,000 children, teachers and seniors each year (increasing 20% in the last five years)
 - 2) Over 60,000 school children visit the Zoo annually on school field trips
 - 3) Participation in summer programs (Nature Trail youth volunteer program, Junior Zoologist program, etc.) for youth and teens now exceeds 800
 - 4) Volunteer hours on-site have increased by 50 in the last six years (exceeding 360,000 hours since 1993)
 - 5) Docent volunteers continue to be the backbone of the volunteer program, with 211 docents in FY 97/98 working 7,375 hours leading tours, stationed at biofact carts and teaching Zoomobile classes.
- D) The Joint Zoo Committee (monthly public meetings led by three members of the Recreation and Park Commissioners and three members from the San Francisco Zoological Society Board of Directors) has held 11 open meetings annually to provide information, garner approvals on agenda items, and gather public comment and input into Zoo operations and policy decisions.

III. The Global Conservation Community: The zoo has increased its impact on global conservation efforts through participation in field conservation, scientific research, and on-site conservation programs.

- A) Field Conservation programs: The zoo participates in a number of important cooperative field research programs, several of which tie back to planned exhibits.
- 1) The Madagascar Fauna Group
 - 2) The Zoo Conservation Outreach Program
 - 3) Giant Panda Task Force
 - 4) Madidi Park program
 - 5) IUCN Declining Amphibian Populations Task Force

- B) Scientific Research programs have become an important part of the zoo's contribution to global conservation knowledge.
 - 1) The veterinary staff conducts extensive research in the diagnosis and treatment of disease in exotic animals, i.e., avian malaria, mammalian tuberculosis, as well as dietary and nutritional requirements for animals such as the African hedgehog, musk ox, and Chilean flamingos.
 - 2) Animal staff research projects include:
 - (a) Aye-Aye Behavior studies
 - (b) Lemur diet study
 - (c) Musk oxen diet study
 - (d) Veterinary studies
 - (e) Gorilla Dietary Studies
 - 3) The zoo provides support to the Genomic resource bank
 - 4) Zoo staff are active in publications in peer-reviewed journals and presentations at national meetings
 - (a) Social sciences and education
 - (b) Husbandry
 - (c) Molecular genetics
 - (d) Ethology
 - (e) Reproductive physiology
 - (f) Field conservation
 - (g) Zoo operations
 - (h) Veterinary medicine
 - 5) The zoo also supports a range of graduate and professional research programs as well as student research programs

- C) On-Site Conservation Efforts
 - 1) Bald Eagle Recovery Project
 - 2) Captive breeding programs (Species Survival Plans for many of the zoo's endangered species including lemurs, koalas, gorillas, black rhinos, snow leopards)
 - 3) Waste reduction management programs

IV. The Partnership with the City: As a result of the Partnership and changes to the way the zoo is operated, the City has limited the cost of its support for the zoo while enabling substantial improvements in performance.

- A) Operations: Operating changes have resulted in significant improvements against a number of performance metrics.
 - 1) The Lease Partnership Agreement with the City was extended for a second five-year term in 1998, recognizing the Society's progress at the zoo.
 - 2) City expenditures on zoo annual operations have been capped at \$4 million

- 3) The Zoological Society continues to maintain its American Zoo and Aquarium Association accreditation (re-accreditations were issued in 1994 and 1998 after the accreditation was tabled for review in 1993)
 - 4) The Zoological Society's computer and operating systems were successfully replaced in 1999, and are now fully Y2K compliant
 - 5) The Zoological Society staff now includes more women in management, and throughout the workforce. In addition, employment programs aimed at at-risk teens and developmentally and physically disabled workers have increased diversity in full-time and seasonal positions.
 - 6) Approximately 50% of the employees hired by the Zoological Society at all levels over the last 4 years are ethnic minorities.
 - 7) The Zoological Society has developed a new Master Plan for the New Zoo, and is currently finalizing construction documents and bid packages. The public has been apprised of each step during the planning process, and their feedback has been an integral part of the design process.
 - 8) The Zoological Society has maintained a positive working relationship with the Unions representing its staff and the Civil Service employees
- B) Development: In the past six years the San Francisco Zoological Society has raised in excess of \$48 million to support ongoing operations, construction and renovation of the Zoo. The key metric of zoo performance is whether its funding commitments have been met and whether the funds have been raised in a cost effective manner. The development department has been able to meet its fundraising goals for both the annual operations and capital projects within budget.
- 1) The Zoological Society's Founders' Fund goal of \$10M was exceeded in the first four years of the partnership.
 - 2) The Society has raised approximately \$21 million towards its \$25 million goal for the Phase 2 (Campaign for the New Zoo) capital program. Almost \$10 million of this amount was raised directly from members of the Zoological Society Board of Directors
 - 3) Membership revenues have increased 17% in the last five years
 - 4) Event revenue has increased by 107% in the last five years
 - 5) Fund raising has increase almost 80% over the last 5 years
 - 6) A total of \$48.6 million have been raised at a cost of \$11.2 million, a return of 4.3 to 1 on total development expenditures.
 - 7) The returns on development expenditures for operating fundraising have improved in each of the last 4 years. As a result of reorganizations within

development, the average operating funds raised per staff person in 1997/98 was \$397,515, which now exceeds the average at comparable zoos.

- 8) Capital fund raising returns have exceeded 15 to 1, which is well above industry benchmarks.
- 9) The Zoological Society headed efforts for the successful 1997 Zoo Bond measure (Proposition C). Thousands of volunteer hours were dedicated to the campaign, which was approved by a two-thirds majority vote by the citizens of San Francisco.

B) Financial Situation: As a result of increased attendance and development success, the financial situation of the Zoological Society has improved significantly. Revenues and endowment have grown while debt has been reduced. The zoo has met its goal of breakeven financial operations in 1997/98 and expects to achieve a surplus in 1998/99.

- 1) The Zoological Society's operating revenues have increased by \$4.5M to \$15M, while the management fee paid to the Society from the City has remained fixed at \$4M per year
- 2) The Zoological Society reached breakeven operating performance in FY 1997/98, as per its 5 year goal
- 3) The Zoological Society expects to post an operating surplus in excess of \$500,000 for FY 1998/99, although audited financial statements are not yet available. These funds will be invested back in zoo programs or used to decrease debt.
- 4) The Zoological Society's capital endowment has increased from \$1.2M to \$3.9M in six years
- 5) The zoo has earned a 22% annual return on its invested funds. This return compares to an average cost of 7% on its line of credit, indicating current investment policies have resulted in additional funds available to the zoo and increased financial flexibility as a result of the line of credit.
- 6) Cash flows for the zoo vary greatly depending on whether the zoo is raising capital funds or spending the funds on exhibits or other capital assets. Over the last 5 years, the zoo has experienced both net inflows and outflows on an annual basis, using an unsecured line of credit to finance cash needs for operations and capital projects. The balance owed on the line of credit was \$1,194,359 as of June 1999, which represents a reduction of \$1,234,391 from the borrowing peak in June 1997.
- 7) The zoo's balance sheet as of June 30, 1998, shows the zoo has \$12.4 million in total assets and total liabilities of \$4.1 million. This represents a material improvement in liability coverage over previous years.

- 8) Assuming the Zoological Society continues to keep capital expenditures apace with fundraising and that operating results remain positive, the zoo will have adequate funds to meet its current obligations.

Acknowledgements

The Budget Analyst would like to acknowledge and thank the Chairman of the Zoological Society Board of Directors, Mr. Paul Jansen, the Zoo Director, Mr. David Anderson, his deputy directors, and the management and staff of the Department for their cooperation and willing assistance during this performance audit.

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We would also like to thank Mr. Jason Yuen, former Director of Planning and Construction of the San Francisco Airport and currently, as a construction consultant, Chairman, Master Plan Programs Advisory Board, San Francisco Airport, for his invaluable guidance and assistance in examining and evaluating the Zoo's Phase II Construction Program.

We would also like to acknowledge the assistance of the Health Department's Environmental Health Division for examining food service at the Zoo; the Water Quality Division of the Public Utilities Commission for evaluating the water at the Zoo's lakes, and Mr. Severin Rizzo, Chief of Custodial Services at the San Francisco Airport, for assisting our examination and evaluation of the Zoo's custodial needs.