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2016-17 Governor's Budget - Minnesota Zoological Gardens

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www.mnzoo.org

AT A GLANCE

- A world-class conservation venue that is home to over 4,300 animals—many endangered
- 485 acre campus with 121 buildings and related facilities
- 1.25 million visitors annually
- The State's largest environmental educator with 484,000 participants last fiscal year
- \$146 million annual economic impact, supporting over 1,700 jobs
- 125,000 free admissions distributed to economically disadvantaged Minnesotans in all 87 counties
- 11,000 free student admissions

PURPOSE

The mission of the Minnesota Zoological Garden (Minnesota Zoo) is to *connect people, animals and the natural world*.

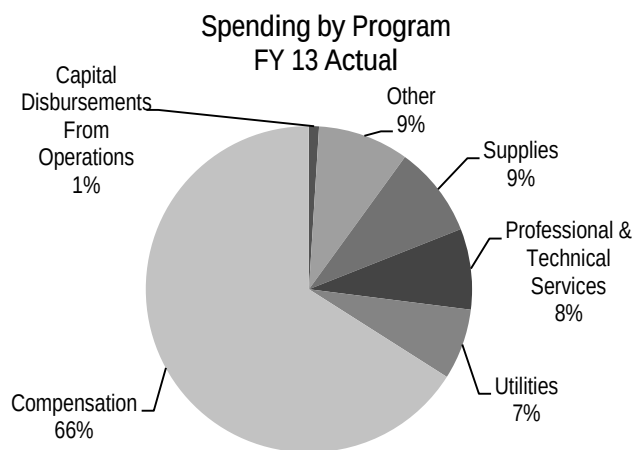
As one of only two state-owned and operated zoos in the country, the Minnesota Zoo is a cultural, environmental and recreational resource. Award-winning exhibits like Russia's Grizzly Coast engage guests in global conservation issues through encounters with massive brown bears coupled with interpretive graphics illuminating an ecosystem halfway around the world. Year-round exhibits on the Medtronic Minnesota Trail and the Northern Trail celebrate Minnesota's natural history while the Wells Fargo Family Farm exposes an increasingly urban population to the State's agricultural heritage.

The Zoo is also directly engaged in conservation efforts both in Minnesota (studying declining moose and threatened prairie butterfly populations) and around the world (supporting programs to save the critically-endangered black rhino and true wild horses.)

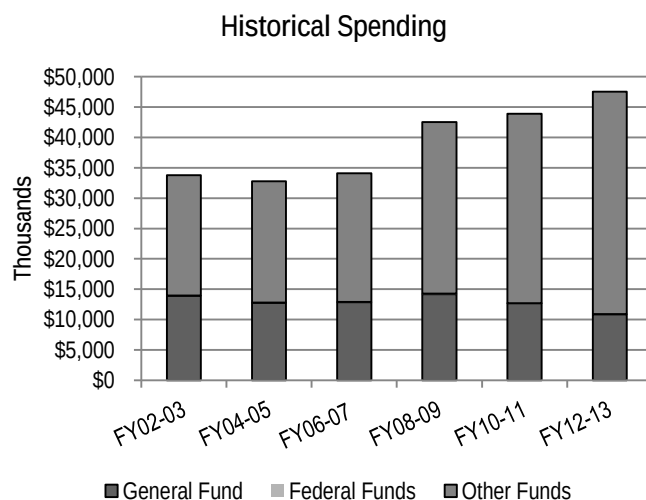
Zoo educational offerings reach students of all ages and in every corner of the State. Last year, nearly half a million people engaged directly with Zoo education initiatives. School field trips alone brought 97,000+ students from 66 counties to the Zoo while interactive video conferencing provided programming directly to other students right in their classrooms. Community programs ranging from a Conservation Speaker Series for adults to summer camps for students with autism spectrum disorders provided on-site learning opportunities while the Zoomobile took live animals to venues throughout the State. Captivating "close encounters" with animals at the Zoo provided opportunities for thousands of others to learn first-hand about animals and conservation from knowledgeable naturalists.

Through these programs and its operations, the Minnesota Zoo contributes to the following statewide outcomes: a thriving economy that encourages business growth and employment opportunities; Minnesotans have the education and skills needed to achieve their goals; strong and stable families and communities; a clean, healthy environment with sustainable uses of natural resources; and efficient and accountable government services.

BUDGET



Source: SWIFT



Source: Consolidated Fund Statement

The Minnesota Zoo uses its resources efficiently and effectively, matching the State's investment with private funds and earned income and supplementing these resources with volunteer services.

In recent years, earned income and charitable contributions have made up a larger portion of the Zoo's budget. Charitable contributions raised through the Zoo's private partner--the Minnesota Zoo Foundation, from individuals, corporations and foundations account for approximately 10% of the annual revenues with most of the remaining amounts coming from earned income dependent upon Zoo admissions and programs.

The Zoo is committed to the well-being of its 4,300+ animals and the safety and security of its 1.25 million annual visitors. With more than 300 employees working at the Zoo throughout the year, 66% of the Zoo's budget is allocated to personnel compensation and related expenses. Another 7% (approximately \$1.6 million) is needed to cover utility costs.

The Zoo further leverages its financial resources by relying on the services of more than 1,000 volunteers who collectively donate more than 117,000 hours of time each year.

STRATEGIES

The Minnesota Zoo is in the process of completing a comprehensive strategic plan that charts a bold vision for the organization and its role in the State. Building on its current mission *to connect people, animals and the natural world*, the Zoo now explicitly acknowledges that the ultimate goal of the Zoo is to save wildlife, here in Minnesota and around the world.

In this regard, three core strategies are emerging as a focus of all Zoo activities and programs:

- Develop and implement a sustainable business model for a conservation-focused, 21st-century zoo.
- Position the Minnesota Zoo as a recognized conservation organization whose purpose is to save wildlife.
- Transform the Minnesota Zoo into a conservation destination that delivers extraordinary guest experiences.

Details on implementing these strategies will be developed as the strategic plan is finalized in October of 2014. The Zoo's historic strengths in creating memorable guest experiences, being a trusted resource for environmental learning, and conducting critical conservation programs will all be incorporated— now with an elevated conservation focus on saving wildlife.

RESULTS

The Zoo will measure its success in meeting its mission and implementing its strategies in part through the following:

Type of Measure	Name of Measure	Previous	Current	Dates	Zoo Strategy Alignment
Quantitative	Zoo Attendance	1.28 million	1.2 million	FY13 and FY14	Conservation Destination and Sustainable Business Model
Results	Guest Satisfaction - % of Excellent Rating	66%	76%	2012 and 2014	Conservation Destination
Quantitative	Educational Impact	306,000 participants	484,000 participants	FY13 and FY14	Conservation Destination
Quantitative	Economic Impact	\$113 million	\$146 million	2010 and 2012	Sustainable Business Model
Qualitative	AZA Accreditation	accredited	accredited	2007 and 2012	Recognized Conservation Organization
Results	Conservation Impact	AZA Conservation Award for black rhino research	LCCMR funding for butterfly conservation research	2013 and 2014	Recognized Conservation Organization

Performance Measure Notes:

Attendance: The number of guests visiting the Zoo each year is key to the Zoo's success. Attendance is directly related to the Zoo's long-term financial sustainability and its ability to deliver its conservation message. Guests' satisfaction with their visits is directly related to future attendance. In turn, attendance has a demonstrable impact on the economy of the region.

Zoo attendance is affected by many factors including weather, marketing, price and general economic conditions—many of which are outside of the Zoo's control. Recent analysis of attendance trends indicates that, perhaps most importantly, attendance is driven by new exhibits opening at the Zoo along with guests' perceptions of their experience at the Zoo. Analysis also indicates that the Zoo has reached the ceiling with its current admission price.

Therefore, the Zoo must continually invest in the development of new exhibits *and* the maintenance of existing exhibits and related facilities to attract new visitors and encourage return visits.

Attendance numbers are captured daily. Guest surveys measuring satisfaction are conducted periodically.

Economic Impact: The University of Minnesota completed studies of the Zoo's economic impact in the 7-county metropolitan area in 2007, 2010 and 2012. Each study has shown an increase in the Zoo's impact in the area. These studies do not reflect any impact from construction projects at the Zoo, which would further increase the impact of the Zoo on the local economy.

Educational Impact: Educational impact is currently measured by the number of participants in a wide variety of Zoo educational programs including the following: Zoomobile visits, distance learning programs delivered through interactive video conferencing, school group visits, summer Zoo Camp and a variety of other community programs offered at the Zoo. In FY14, the Zoo also began counting the number of visitors that participated in structured educational presentations given throughout the day by naturalists on the Zoo site. As a result, the reported number of participants in educational programs increased significantly this year.

Conservation Impact: The conservation impacts include increased numbers and healthy population composition of endangered species in our care, increased engagement with partners in the field (*in situ* initiatives) and recognition of the Zoo's work by professional partners, peers and other stakeholders.

See Minnesota Statutes Chapter 85A (<https://www.revisor.mn.gov/statutes/?id=85A>) for an overview of the Minnesota Zoo's purpose, organization and authority.

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
1000 - General	5,431	5,425	5,425	6,775	5,425	5,425	8,250	8,250
2000 - Restricted Misc Special Rev	14,133	14,899	15,949	13,133	12,162	9,387	12,162	9,387
2050 - Environment & Natural Resource	0	0	0	380	0	0	0	0
2110 - Zoos Lottery In Lieu	160	160	160	160	160	160	160	160
2301 - Arts & Cultural Heritage Fund	1,066	1,172	2,199	2,080	0	0	0	0
2403 - Gift	2,859	3,345	2,448	5,448	2,432	2,481	2,432	2,481
3000 - Federal	0	0	0	20	0	0	0	0
6000 - Miscellaneous Agency	500	0	0	0	0	0	0	0
Total	24,149	25,000	26,181	27,997	20,180	17,454	23,005	20,279
Biennial Change				5,029		(16,543)		(10,893)
Biennial % Change				10		(31)		(20)
Governor's Change from Base								5,650
Governor's % Change from Base								15

Expenditures by Program

Program: Minnesota Zoo	24,149	25,000	26,181	27,997	20,180	17,454	23,005	20,279
Total	24,149	25,000	26,181	27,997	20,180	17,454	23,005	20,279

Expenditures by Category

Compensation	14,893	15,805	16,212	17,005	12,356	10,544	14,440	12,669
Operating Expenses	8,146	8,607	8,883	9,084	7,408	6,494	8,149	7,194
Other Financial Transactions	508	474	394	416	416	416	416	416
Grants, Aids and Subsidies	10	114	15					
Capital Outlay-Real Property	592	0	678	1,492				
Total	24,149	25,000	26,181	27,997	20,180	17,454	23,005	20,279
Total Agency Expenditures	24,149	25,000	26,181	27,997	20,180	17,454	23,005	20,279
Internal Billing Expenditures	370	388	399	450	450	450	450	450
Expenditures Less Internal Billing	23,779	24,612	25,782	27,547	19,730	17,004	22,555	19,829

<u>Full-Time Equivalents</u>	224.0	238.6	234.8	225.6	194.9	177.9	214.9	214.9
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1000 - General

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Direct Appropriation	5,431	5,425	5,425	6,775	5,425	5,425	8,250	8,250
Expenditures	5,431	5,425	5,425	6,775	5,425	5,425	8,250	8,250
<i>Biennial Change in Expenditures</i>				1,344		(1,350)		4,300
<i>Biennial % Change in Expenditures</i>				12		(11)		35
<i>Gov's Exp Change from Base</i>								5,650
<i>Gov's Exp % Change from Base</i>								52
FTEs	75.3	75.9	67.8	86.5	68.5	68.5	88.5	105.5

2000 - Restricted Misc Special Rev

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	452	1,086	1,803	226	527		527	
Receipts	14,299	15,639	14,372	13,434	11,635	9,395	11,635	9,395
Internal Billing Receipts	370	388	399	450	450	450	450	450
Net Transfers	(16)	(23)	0					
Expenditures	14,133	14,899	15,949	13,133	12,162	9,387	12,162	9,387
Balance Forward Out	601	1,803	226	527		8		8
<i>Biennial Change in Expenditures</i>				50		(7,532)		(7,532)
<i>Biennial % Change in Expenditures</i>				0		(26)		(26)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	109.3	120.2	138.8	118.9	114.9	97.9	114.9	97.9

2050 - Environment & Natural Resource

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Direct Appropriation	0	0	0	380	0	0	0	0
Expenditures	0	0	0	380	0	0	0	0
<i>Biennial Change in Expenditures</i>				380		(380)		(380)
<i>Biennial % Change in Expenditures</i>						(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

2110 - Zoos Lottery In Lieu

(Dollars in Thousands)

2110 - Zoos Lottery In Lieu

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Expenditures	160	160	160	160	160	160	160	160
<i>Biennial Change in Expenditures</i>				0		0		0
<i>Biennial % Change in Expenditures</i>				0		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

2301 - Arts & Cultural Heritage Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In		452	780	331				
Direct Appropriation			1,750	1,750	0	0	0	0
Expenditures	1,066	1,172	2,199	2,080	0	0	0	0
Balance Forward Out	434	780	331					
<i>Biennial Change in Expenditures</i>				2,042		(4,279)		(4,279)
<i>Biennial % Change in Expenditures</i>				91		(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	7.2	12.9	17.5	8.0				

2403 - Gift

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	3,101	2,955	2,092	2,529				
Receipts	2,658	2,210	2,885	2,919	2,432	2,481	2,432	2,481
Expenditures	2,859	3,345	2,448	5,448	2,432	2,481	2,432	2,481
Balance Forward Out	2,900	1,820	2,529					
<i>Biennial Change in Expenditures</i>				1,693		(2,982)		(2,982)
<i>Biennial % Change in Expenditures</i>				27		(38)		(38)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	32.2	29.6	10.7	12.3	11.5	11.5	11.5	11.5

3000 - Federal

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17

(Dollars in Thousands)

3000 - Federal

Receipts				20				
Expenditures	0	0	0	20	0	0	0	0
<i>Biennial Change in Expenditures</i>				20		(20)		(20)
<i>Biennial % Change in Expenditures</i>						(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

6000 - Miscellaneous Agency

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Receipts	500	0	0	0	0	0	0	0
Expenditures	500	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(500)		0		0
<i>Biennial % Change in Expenditures</i>				(100)		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

Minnesota Zoological Garden

FY16-17 Biennial Budget Change Item

Change Item Title: Operating Base Adjustment

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	2,825	2,825	2,825	2825
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,825	2,825	2,825	2,825
FTEs	20	37	37	37

Recommendation:

The Governor recommends an increase of \$2.825 million in FY 2016 and \$2.825 million in FY 2017 to the Zoo's annual base general fund appropriation of \$5.425 million. The funding will be used to support the Zoo's core operations including animal care and well-being, safety and security of the Zoo's 1.25 million annual visitors, and maintenance and utilities for the Zoo's 485 acre campus and its now 35 year old infrastructure. The FY15 deficiency was funded in the amount of \$1.35 million (Laws 2015, Chapter 3).

Rationale/Background:

The Zoo is currently in an unsustainable financial position due to steeply rising costs, declines over time in the amount and proportion of State general fund support for the Zoo's core operations, and recent declines in Zoo attendance from peak years.

The cost of operating the Zoo is relatively fixed and increasing. A base level of staffing is necessary in order to care for the animals, secure and maintain the site, and serve our guests. Total compensation costs have increased by \$1.7 million (11.7%) from FY12 to FY14, while staffing has remained flat, and compensation now comprises more than 66% of the Zoo's operating budget.¹ Other fixed costs have also steadily increased with utilities costs increasing 17% from FY12 to FY14 and the cost of animal food and medicine increasing 8% over the last three years.

With only 22% of the Zoo's total operating budget coming from the general fund—an amount below the national average 34 % of public support for accredited zoos—the Minnesota Zoo relies heavily on revenues from private contributions and earned income. Marginal changes in these inherently variable revenue streams have a direct and significant impact on the Zoo's budget. In recent years, the Zoo was able to absorb cost increases and reductions in the general fund support by significantly growing private contributions, attendance, and membership. However, these revenue streams can no longer keep pace with steadily rising costs.

A realignment of the current mix of revenue sources with an increase in State general fund support to approximately one-third of the Zoo's operating budget will permit the Zoo to continue to offer its current level of service to the State.

Proposal:

This additional general fund support is essential to restore the Zoo's revenue mix to a sustainable model. The \$2.825 million requested increase for FY 2016 and FY 2017, while equivalent to 52% of the Zoo's current base general fund appropriation and 12% the Zoo's projected costs for FY16-17, would address the Zoo's structural budget deficit and cover projected cost increases in FY16-17. The additional funds would allow for the retention of 37 FTE, and fund increasing utilities and supplies (like animal food and medicine) costs.

Without this increased level of funding, the Zoo will be forced to drastically cut costs by significantly reducing offerings to the public thereby impacting attendance and revenues and further undermining the Zoo's financial stability. Cuts needed to address the structural deficit in FY16 will result in revenue loss (estimated at \$2.06 million in FY16 and \$4.564 million each year thereafter) that would necessitate further reductions and result in further job loss in FY17, and so on. We estimate the total revenue loss over these two

¹ This includes the cost of information technology staff which were transferred to MN.IT during this budget period, but whose salary costs are billed back to the Zoo and whose work remains essential for the Zoo's operation.

years would exceed the total general fund request. However, with the requested appropriation increase, these revenues and resultant jobs would be restored.

This request will allow the Zoo to provide the quality experience and programs that Minnesotans expect. The Zoo averages 1.25 million annual visitors and provides educational programs to hundreds of thousands of participants, resulting in an economic impact of \$146 million annually. While the Zoo's current financial situation is unsustainable, further budget cuts are not the answer. That would inevitably lead to reduced public offerings which would negatively impact attendance, significantly lowering earned revenues and only further undercutting the Zoo's financial stability. The Minnesota Zoo Board is currently completing a long-range strategic plan that recognizes the need to work with the State and other partners to create a sustainable business model while positioning the Zoo as a premier conservation destination for Minnesota families. Consistent with the principles recognized in that plan, the increase in the base level of general fund appropriations requested here will allow the Zoo to realign the components of its revenue mix and continue to contribute to the State's thriving economy as measured by the results outlined below.

Results:

Type of Measure	Name of Measure	Previous	Current	Dates	Zoo Strategy Alignment
Quantitative	Zoo Attendance	1.28 million	1.2 million	FY13 and FY14	Conservation Destination and Sustainable Business Model
Qualitative	Guest Satisfaction - % of Excellent Rating	66%	76%	2012 and 2014	Conservation Destination
Quantitative	Educational Impact	306,000 participants	484,000 participants	FY13 and FY14	Conservation Destination
Quantitative	Economic Impact	\$113 million	\$146 million	2010 and 2012	Sustainable Business Model

Statutory Change:

Not Applicable.

FY16-17 Federal Funds Summary

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	New Grant	2014 Actuals	2015 Budget	2016 Base	2017 Base	State Match or MOE Required?	FTEs
15.660	Budget Activity Total			20,000	0	0	Yes 21,000	1
	Federal Fund – Agency Total			20,000				

Narrative:

This is the only Federal Grant at the Zoo. The purpose of the Grant is to help determine the potential impacts of widely used pesticides on butterfly species that inhabit native grasslands in Minnesota and nearby states and to help alleviate any threat that these pesticides might pose to the Dakota Skipper and Poweshiek skipperling. The project will entail collection and analysis of plant tissue and soil to determine the likely concentrations of pesticides to which the butterflies are exposed in natural habitat. Federal funds will be matched by a Minnesota Natural Resources Trust Fund appropriation for this project that the Zoo has already received.