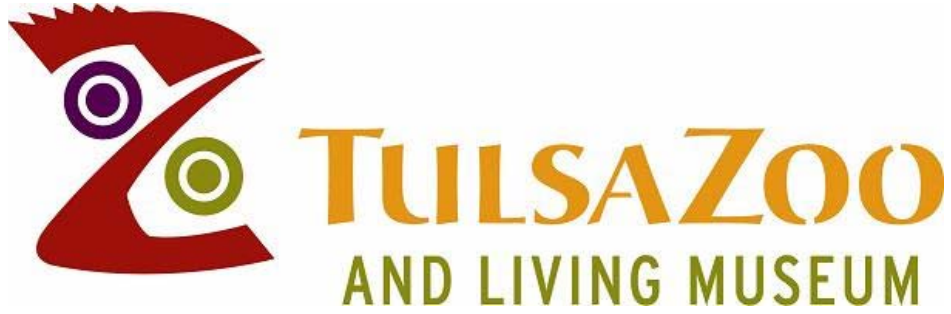


DRAFT



**Tulsa Zoo
Organizational Analysis
and
Governance Study**



Schultz & Williams
March 15, 2010

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Project Scope & Introduction

Schultz & Williams (S&W) was retained by Tulsa Community Foundation (TCF) to conduct an organizational analysis of the Tulsa Zoo and Living Museum (Tulsa Zoo) and then identify recommendations for an ideal governance model for its future growth and development. This involved the following activities:

- ❑ Meet with Tulsa Zoo staff and Tulsa Zoo Friends to better understand the current baseline organizational model
- ❑ Identify potential governance and organizational models for the Tulsa Zoo
- ❑ For each of the identified governance and organizational models, identify baseline criteria including case studies and financial impacts
- ❑ Recommend a preferred option for moving forward including a term sheet agreement that outlines the key considerations of the preferred option
- ❑ Outline next steps for moving forward with the preferred option including the additional planning services that would be required within a subsequent phase

S&W's Phase One scope of services, as outlined above, is the initial planning step in determining the preferred governance structure for managing and operating the Tulsa Zoo in the future. The goal of our study is to create a stabilized governance and funding structure for the Zoo that would ensure a bright future for one of the City of Tulsa's favorite and most popular assets.

Due to the difficult economic times facing the City of Tulsa, there is an opportunity, with city and community leadership, to create a new public-private partnership that works within these challenges to position the Tulsa Zoo to reach its full potential as a successful regional attraction, quality destination for learning and recreational opportunities, and a source of community pride for Tulsans.

In the City of Tulsa, there have been at least four successful public-private partnerships that have been created for the enjoyment and benefit of the Tulsa community: the BOK Center, Gilcrease Museum, Tulsa golf courses and the Performing Arts Center.

Successful public-private partnerships require continued financial support from the public sector – whether city, county, state or regional funding initiatives. Most US zoos accredited by the Association of Zoos and Aquariums (AZA) have already transitioned to a public-private partnership model, and a number of others are considering it in the near future.

Similar to the Gilcrease Museum model, public-private partnerships provide for a new, community-based, private entity to operate and manage a City-owned entity with an annual appropriation of City support. The new potential partnership with the Zoo will allow the City to control its increasing operating expenses for the Zoo and will stimulate and leverage additional private sector support for the Zoo.

Lastly, the new public-private partnership will allow the Zoo to further its mission of serving the community by:

- Improving the Zoo's exhibits, amenities and experiences for family recreation and learning;

- Inspiring a greater appreciation of wildlife through engaging animal exhibits, visitor experiences and education and conservation programs;
- Ensuring the highest level of animal welfare and care at the Zoo; and
- Creating win-win-win opportunities for the Zoo, the City and the community.

Our organizational review and governance study could not have been possible without the help and assistance of the Steering Committee that was chaired by Phil Lakin, CEO of the Tulsa Community Foundation. Other members of the Steering Committee who were invaluable to us in completing our Phase One scope were: Susan Neal (Director, Community Development & Education, Mayor's Office/COT), Lucy Dolman (Parks Director), Alex Eaton (Chair of the Tulsa Zoo Friends), Keegan Young (Executive Director, Tulsa Zoo Friends) and Terrie Correll (Zoo Director). With the collective input and guidance of the above individuals, we are confident that we have identified a realistic, sustainable approach that will allow the Tulsa Zoo to become one of the best zoological institutions and a valued community resource for the residents of Tulsa and its surrounding communities.

Our findings and recommendations are based on our professional expertise and experience in creating other successful zoo privatization plans, including the Dallas Zoo, Houston Zoo, the Kansas City Zoo, Fresno (CA) Chaffee Zoo, Woodland Park (Seattle) Zoo and the Denver Zoo, among others. Although each governance plan was unique due to the leadership approaches of the respective partners, we have drawn upon our knowledge to create a "best-case" roadmap for the Tulsa Zoo that hopefully will build a stronger partnership among and between the leaders of the City of Tulsa and the new governing entity.

The Tulsa Zoo

The Tulsa Zoo was established in 1927 as a 78 acre municipal facility within Mohawk Park. The Zoo's animal collection has grown from 35 animals in 1928 to a collection of over 2,500 individual specimens representing over 400 species, many of which are threatened or endangered. Today, the Tulsa Zoo is the most popular family destination and educational facility in the Tulsa community attracting over 525,000 visitors annually through its gates.

Currently, the Tulsa Zoo is part of the City of Tulsa Parks and Recreation Department and is supported by the municipal operating budget and net gate revenues, other ancillary services and private contributions from the Tulsa Zoo Friends. The City's annual operating investment in the Zoo is noted within this report.

Tulsa Zoo Friends, Inc. (TZF) has been the zoo's not-for-profit partner since 1972, providing over the years such core services as gate admissions, food concessions, retail gift shops, catering, special and fundraising events, memberships, advertising and other visitor-related services and programs. TZF provides the above zoo services under a Service Agreement with the City of Tulsa that expires June 30, 2010. Under this Agreement, TZF not only generates funding to cover its own operating expenses, but it provides up to \$1.367 million (2009/2010 threshold amount) from gate admission revenues to the City of Tulsa General Fund to help offset/supplement its operating investment in the Tulsa Zoo.

At the time of this study, TZF had approximately 26 full-time positions that support the above core zoo services in addition to several animal care positions and maintenance related functions. With a membership base of more than 13,000 households and a volunteer Board of Directors comprised of corporate citizens and community leaders, TZF has contributed substantially to the success of the zoo.

Currently, the City of Tulsa manages animal care, veterinary, horticulture, graphics/exhibits, education, docent volunteers, facility maintenance and custodial and security functions and employs approximately 71 full-time employees in fulfilling these functions.

The Zoo is a significant asset to the Tulsa community. The expectations for modern zoological institutions have expanded far beyond what anyone might have envisioned even a few years ago. A great zoo today must excel at all aspects of exhibit design, animal management, research, conservation, education and fund development. Reaching the Tulsa Zoo's full potential requires more natural immersive animal habitats with better facilities for the animals and staff, and an enhanced guest experience. Note: The last new exhibit was Penguins in 2002 with the Zoo currently set to begin construction on a new sea lion exhibit in June 2010.

The Zoo currently faces a backlog of deferred repairs and maintenance and lacks the sufficient resources to effectively address the day-to-day demands of operations and aging infrastructure needs (Note: TZF has recently engaged a professional engineering firm, with experience in zoo facilities, to assess and quantify the Zoo's current deferred maintenance exposure. Preliminary estimates of the Zoo's total deferred maintenance exposure are between \$11 million and \$12.5 million (2010 dollars), excluding site drainage improvements). With the existing demands on the City's budget, securing additional public funding for existing and deferred maintenance is unlikely. The Tulsa Zoo Friends have indicated that private-sector funding for the Zoo is prematurely compromised due to the neglected backlog of facility maintenance.

The current global economic crisis has had an impact on Tulsa sales tax revenues and thus public funding for the Zoo – additional cuts in the Zoo's operating budget have been implemented since the commencement of our study in late December 2009. Over the years, more and more of the Zoo's private sector funding is being dedicated to salaries and operating costs to make up for budget shortfalls. This has naturally expanded TZF's role and influence within the Zoo and on behalf of the Zoo within the community. An adversarial relationship has developed at times as a result of blurred lines of responsibility and financial obligations/responsibilities.

The current level of performance by the Zoo and TZF staffs is commendable given the limitations and challenges on the resources available. However, under the present structure for management and operation, the many legitimate demands for public resources will continue to limit the City's ability to fully achieve the potential of this critical community resource. It appears highly unlikely the City will be able to continue to adequately fund the Zoo at the level it needs to meet industry standards in the coming year(s). The lack of adequate funding could jeopardize the Zoo's accreditation status with the AZA and licensing with USDA. The inadequate funding could also continue to negatively impact the Zoo's ability to attract new private financial support and an annual attendance baseline of over 520,000 visitors, while remaining as a municipally managed facility.

If the Zoo continues on its current path, it will continue to decay as the City of Tulsa resources can not provide adequate funding for daily maintenance, operations and its critical deferred maintenance needs. In addition, the potential loss of its AZA accreditation and USDA license will further compromise its abilities to attract new revenue sources from the private sector and limit its ability to participate in animal conservation programs through the AZA, including adding to a collection that is in need of revitalization and growth.

Given all the challenges, there is a window of opportunity with the leadership of the City and the Tulsa community to quickly step-up and work together to create a “transition roadmap” by July 1, 2010 that will ensure that this important community asset will remain accessible, affordable and committed to providing the highest quality of animal care and visitor experiences for the residents of Tulsa and the communities it serves.

Why a Shift in Governance?

In the recent decade, the transition of zoos from publicly owned and managed to privately managed, while still publicly owned, has been the trend in cities across this country. **Today, nearly 70% of AZA-accredited zoos are currently privately managed;** with ownership and a continued financial responsibility still required by 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.

Although currently there are financial challenges within Tulsa, the transition of governance at the Tulsa Zoo has been embraced by community leaders in Tulsa for twenty years, with formal actions taken in both 1996 and 2004. The 2004 initiative was a Mayoral Task Force lead by Keith Bailey and 16 public and private community leaders and stakeholders. Although there was community leadership for a change in governance, there was no win/win scenario for the City of Tulsa.

In October 2009 and with the cooperation with the Mayor’s Office, Tulsa Zoo and Tulsa Zoo Friends, Tulsa Community Foundation began the process of developing a management transition plan for the Tulsa Zoo.

As with the Gilcrease Museum, the single most important factor in a successful transition is effective leadership.

The “new” Tulsa Zoo must integrate a number of key components that are critical for its success and growth:

- Provide for Zoo/TZF employees by offering competitive wages and benefits and a quality work environment;
- Develop a long-term funding agreement with the City of Tulsa, the Zoo’s public-sector partner;
- Create a dynamic new management organization; and
- Fund a transition budget that is estimated at \$5 million to provide the new not-for-profit management entity with the operating resources to quickly and effectively develop and transition the management programs, while having the financial resources to operate

the new Tulsa Zoo for the enjoyment of its residents and communities and exceeding industry standards in animal care.

Note: The transition fund/budget will help establish a longer-term facility renewal plan that will be supported through a public/private funding initiative. It is estimated that the facility renewal and reinvestment plan, implemented over a number of years, could require \$60 - \$100 million and would involve a partnership that includes both public-sector support and private-sector contributions.

Typical costs to be supported through the projected \$5 million transition fund include: a new facility master plan; investments in technology (computers, telephone system, web-based applications and related software); “bridge” operating budget support to cover start-up expenses including staff and overhead costs for fund-raising, marketing, events, sponsorship and annual giving programs; employee training; investment in new signs and graphics; and “clean-up/fix-up” improvements that promote the new Tulsa Zoo.

In addition to stabilizing the financial and funding challenges outlined above, there are a number of objectives for shifting the governance and management structure of operating the Tulsa Zoo. The two primary objectives are:

- Similar to the commitment made by the City to fund Gilcrease Museum, solidify the City of Tulsa's financial commitment to the Zoo
 - Reducing the City's exposure to increased operating expenditures
- Strengthen private financial support for the Tulsa Zoo
 - Investment in new facilities, exhibits and attractions that will be identified through a new facility master plan
 - Provides new opportunities to engage the Tulsa community in supporting a regional asset by offering new experiences, programs, activities and events that create a reason to visit the new Tulsa Zoo while promoting its mission as a leading education and conservation institution

Other objectives include:

- Enhance the national and international recognition of the Tulsa Zoo and Living Museum within the zoo community
- Continue to implement professional zoological, botanical and museum standards
- Expand and strengthen educational programming through docent, educational outreach and visitor services programs
- Achieve improved business efficiencies and overall effectiveness of operations
- Provide for flexibility and an entrepreneurial approach to meeting the challenges of offering an exceptional visitor experience in a difficult economy
- Enhance conservation efforts through increased funding opportunities
- Assure upkeep of current facilities and provide a funding structure to support its future growth
- Provide for clearly delineated responsibilities and operational efficiencies by consolidating the Zoo and Tulsa Zoo Friends staffs

- Eliminate the duplication of efforts and services, whether as a direct or indirect cost to the Zoo
- Significantly enhance employee morale and long-term career development opportunities
- Implement a unified management structure that will enable the Tulsa Zoo to attract and retain key managerial and staff positions
- Position the Zoo to secure additional federal and state financial support

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 City and a new governing entity. The Board of the new proposed entity must be the “star” leaders of the Tulsa community (Note: see “Future Management Structure” section of this report found on page 12)
- 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 City: the City needs to be positioned as “the major donor” – at least in the short-term until the private sector embraces the plan. City needs to offer “stability” in the funding model
- Creativity: in positioning the key term considerations of the agreement between the City and new governing entity
- A Plan of Action: a realistic, achievable and sustainable “roadmap”
- Leadership Again: having “star” leaders as part of the senior management team of the new governing entity to create and implement plans of action

Governance Models: Public-Private Management

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

- Publicly-owned and managed with a not-for-profit partner with annual 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 annual dedicated 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 ~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, no two AZA-accredited zoos are alike - there are a number of success criteria and/or opportunities 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 and economies of scale
- Creates market-based pricing strategies
- Provides fiscal responsibility including accountability to donors
- Lessens potential political and public relations impacts
 - Shields the “landlord (City)” from difficult publicity while allowing the City 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”

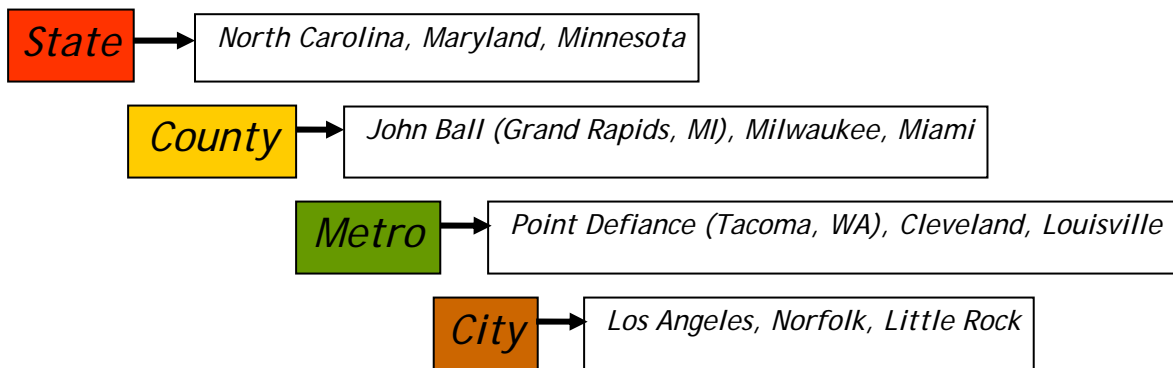
Funding Case Study Models of Public-Private Management

We have identified a number of “case studies” on the various public-private management models utilized by AZA-accredited zoos:

- A.** Publicly owned and operated with not-for-profit partner
- B.** Publicly owned; privately managed with dedicated operating support

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

Typically managed and operated by one of the four primary “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
- Ownership of the land/assets
- Most receive direct annual appropriations with no dedicated funding
- Not-for-partner is a “valued” partner that has provided funding for capital & operating

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
- Longer-term management lease but annual 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, 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 .1% 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 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 annual attendance of 1 million visitors. The Zoo receives State and Regional Funding, approximately – \$2.8 million annually. City owns 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 approved 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; there are a number of similarities between Dallas and Tulsa (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 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 Trust funds (\$2MM) to be 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

City's Annual Financial Obligations to the Tulsa Zoo: Operating Fund Only

Based on our review of the year-end financial summaries provided by the Parks and Recreation Department, we have developed the following net operating financial impact chart that identifies the City's net annual costs for operating the Tulsa Zoo:

	fy 07	fy08	fy09
Direct Costs	Actuals		
Salaries/Benefits	\$3,642,140	\$3,614,480	\$3,707,716
Animal Food	\$183,249	\$226,932	\$267,423
Supplies, Tools & Repair	\$250,793	\$270,021	\$269,634
Professional Services	\$392,173	\$404,778	\$871,404
Capital Equipment	\$53,228	\$57,441	\$159,406
Animal Purchases	\$23,345	\$6,589	\$19,598
Total Direct	\$4,544,928	\$4,580,241	\$5,295,181
Park Administrative Costs			
Utilities	\$735,000	\$734,797	\$788,206
Park Payroll Support	\$15,000	\$18,000	\$18,260
Total Park Costs	\$750,000	\$752,797	\$806,466
Indirect City Charges: among them	Estimate only		
General Govt, City Clerk, Mayor City Council, City Auditor, IT, Legal Human Resources, Finance	\$250,000	\$266,833	\$250,000
Total City Indirect Allocation	\$250,000	\$266,833	\$250,000
Support Services: Park/City			
TMA System: maintenance	\$295,732	\$326,205	\$275,562
Refuse Removal	\$15,000	\$20,000	\$20,894
Fuel Allocations:EMD	\$10,000	\$12,000	\$12,191
Equipment Repair:EMD	\$18,000	\$20,000	\$24,000
Assistance from water/sewer/street	\$18,000	\$20,000	\$24,000
Public Works: operating only	\$18,000	\$20,000	\$20,000
Total Support Services	\$374,732	\$418,205	\$376,647
Total City Cost of Zoo	\$5,919,660	\$6,018,076	\$6,728,294
Net Admission Revenues (net of taxes)	\$1,158,265	\$1,354,015	\$1,460,000
Net Zoo Operating Costs to the City	\$4,761,395	\$4,664,061	\$5,268,294
Annual Attendance	502,025	518,172	528,701
City Investment per Visitor	\$9.48	\$9.00	\$9.96
Indicates "Estimates" only			

Notes impacting the above chart:

- Operating expenses include all City direct and indirect expenditures and Park overhead allocations

- TZF revenues and expenses are not reflected in the above numbers, other than the “net admissions revenues generated through the gate that are paid to the City under their current service agreement
- All numbers and estimates are provided by the City/Parks department as requested by S&W
- The indirect City Charges for IT, Legal, Human Resources, City Auditor and other services provided by the City is an estimate percentage allocation (total zoo budget/total department budget) of the total overhead costs for the various City departments noted. These costs could remain if the Zoo moves forward with a shift in its governance structure
- TMA system maintenance costs are actual annual expenditures (labor and materials) for maintenance services provided at the Zoo by Parks/City employees but are not full-time employees working at the Zoo – part of central service
- We believe that the “estimated” expense allocations are very conservative

The City’s average net annual investment (total direct/indirect costs less the admission revenue offset which is part of the City’s general fund) in the Tulsa Zoo over the three years (2007 – 2009 Actual) is approximately \$5.0 million, with no allocation for deferred maintenance or capital investment.

The City’s per visitor investment in 2009 was \$9.96 (net City costs/total Zoo visitors). **This investment is significantly lower than the City’s per visitor investment in the Gilcrease Museum which is \$26.39** (2010 budget projection; reflects City’s management fee contribution).

We would anticipate that the City’s net investment costs at the Zoo in fiscal year 2010 would be approximately \$5.0 million, maybe slightly higher, despite the current budget/staff deductions as utility and maintenance costs are higher in 2010 and net admission revenues will be lower. In addition, a number of core zoo functions/services that are required to properly manage and operate the Tulsa Zoo have not been funded in the current fy 2010 (ending June 30, 2010). Deferred maintenance improvements and/or repairs are not included in the above numbers.

Like the Gilcrease Museum and other successful zoo privatization efforts, the \$5.0 million, as the City’s three-year average “baseline” operating investment in the Tulsa Zoo, should become the “starting point” for discussing and identifying the City’s future years operating appropriation in supporting the new Tulsa Zoo. Clearly, the local and regional leaders, donors and partners will need to “step-up” to provide the additional operating revenues that will be required to invest in the Tulsa Zoo and to insure that the Zoo remains a valued and treasured community asset.

Future Management Structure for the “new” Tulsa 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 new public-private management model – one that provides maximum financial leverage to the City of Tulsa (in terms of a reduction of the City’s current and future financial obligations to the Zoo) we would recommend the following:

Create a new public-private governance structure for managing and operating the Tulsa Zoo that has the City of Tulsa as the “public” partner and a new 501(c)(3) not-for-profit – so-named the Tulsa Zoo Management, Inc. (TZMI) as the “private” partner.

TZMI’s Board of Directors, their primary responsibilities outlined below, would be “star” community and business leaders committed to “supporting” the transition of the new Tulsa Zoo. Although Tulsa Zoo Friends has been an invaluable partner with the Tulsa Zoo over the past years, the new Zoo needs more than the current TZF directors can deliver including access to substantial funding and CEO-level credibility and influence. It should be a smaller Board that can guide the successful transition and gain the financial trust and support of the Tulsa giving community in securing the financial resources required to operate and invest in the new Tulsa Zoo.

The primary roles of the City and TZMI under a new public-private governance model are outlined below and are outlined in the attached “term sheet” – Appendix I:

City

- Ownership of the land, buildings and future facility improvements
- Provides annual operating support and capital maintenance allocation to TZMI
- With voter approval, participate in future bonding initiatives to support the Zoo’s future facility master plan implementation
- Provides general liability and property insurance coverage for City assets
- Reviews TZMI policies and strategic direction including facility master plan
- Provides support to TZMI in terms of facility improvements and facility master plan implementation

Tulsa Zoo Management, Inc. (TZMI)

- Responsible for the operations and daily management of the new Tulsa Zoo including all programs, exhibits, collections, services and attractions
- 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 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 Tulsa Zoo Management, Inc.:

This is an exciting time and an opportunity to transition a treasured community asset into a renowned community resource and basis of regional and national pride. As with all great Tulsa developments historically, it can only happen with great leadership.

The foundation of this process is the development of a new Board of Directors, a “transition board,” that initially will be a small board (7 – 12 members) comprised of “star” community leaders with a strong passion and commitment for the new Tulsa Zoo.

The transition board will need to be comprised of Tulsa’s highest level and most well-respected executive leaders in the community, individuals who have a strong dedication to succeed, a willingness to effect change and the passion and desire to ensure the long-term success of the new Tulsa Zoo as the jewel of Tulsa’s rich cultural attractions and community resources. Beyond the key responsibilities outlined below, this board will be peer leaders of businesses and community stewards, and could include leaders of zoo partners that help to further leverage the Zoo’s campus as a place to learn, teach, engage, experience and enjoy the benefits of a high-quality zoological park. It is envisioned that, as TZMI’s major donor, the Mayor of the City of Tulsa will have one permanent member position within the Board of Directors. In addition, the Board should explore opportunities to develop partnerships with universities and colleges such as Oklahoma State University (OSU) and its schools of veterinary medicine and hotel-restaurant management and/or Tulsa Community College (TCC) and its veterinary technology program. Such partnerships could involve Board appointments as having a formal relationship with OSU and TCC will help to strengthen the Board and its credibility with the regional community and its funders.

The Board will act as an independent not-for-profit corporation that will be guided by its bylaws and manage the new Tulsa Zoo within the terms and conditions of the Management Agreement between the City of Tulsa and TZMI.

Board member responsibilities include:

1. Provide leadership, expertise, oversight and accountability to the senior management staff in completing the transition of the Tulsa Zoo to private management.
2. Be advocates for the transition in the community and encourage the participation and involvement of all in the success of the new Tulsa Zoo.
3. Actively engage in securing the transition funding (identify, cultivate & solicit) to adequately address and secure the financial needs of the new Tulsa Zoo including start-up funding, programmatic initiatives and short-term facility improvements. Annually, contribute to the new Tulsa Zoo.
4. Negotiate the long-term management agreement, utilizing the term sheet conditions between the TZMI and the City of Tulsa for the management and operations of the new Tulsa Zoo, including the City’s annual appropriation to TZMI.
5. Hire the President/CEO of TZMI and be responsible for all fiduciary and fiscal activities of TZMI. 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 new Tulsa Zoo.
7. Set new policies as required.

8. As part of a Board Committee, participate in the development of a new long range facility master plan including capital development, infrastructure repair and sustainable funding.

An Overview of the Structure of the TZMI Board

- 7 – 12 “star” members of community and business leaders, including the Mayor of Tulsa
- Serving three year term; may be renewed per TZMI bylaws
- Officers to be elected
- Committees will guide the board; the board will direct the President/CEO; the President/CEO will direct the staff
- The Board will set policy, implement the transition, identify strategic direction
- Actively engage the community in supporting the Zoo’s facility renewal/reinvestment plans including identifying the appropriate public-sector funding initiative and the private-sector leadership to initially raise up to \$5 million in transition funding and an estimated \$60 - \$100 million in longer-term capital funding (to be determined once a new facility master plan is completed)

Term Sheet

Appendix I, found at the end of this report, is the “term sheet” which contains a summary of the recommended terms and conditions that would guide the development of a more detailed management agreement between the City of Tulsa and proposed TZMI.

Vision Statement for the “New Tulsa Zoo”

We worked with Terrie Correll and Keegan Young to develop the following “vision statement” for the new Tulsa Zoo that helps to identify the future strategic direction of the Zoo as it transitions its governance and management structure.

The Tulsa Zoo will be the premier family recreation destination and the leading education and conservation resource in the region.

Strategic Assumptions for the Shift in Governance

- The Zoo will be privately managed by TZMI on or before July 1, 2010 (transition date). The City and TZMI will enter into a multi-year management agreement that outlines the terms and conditions of both parties
- TZMI will fund the start-up expenses for ensuring a timely management transition by July 1, 2010. The City could provide capital dollars to support the transition and start-up for expenditures related to deferred maintenance and office equipment (telephones, computers and other technology systems)
- The City will retain ownership of the Zoo and its fixed assets

- The City will continue to provide, on an annual basis, capital improvement funds for minor deferred maintenance projects
- Excellent care of the animal collection will continue during the transition and after privatization
- Existing Zoo employees of the City of Tulsa and TZF will be treated fairly when an employee transition plan is developed
- The employee benefit packages (health & life benefits, retirement plans, etc.) will be comparable pre and post the transition to private management
- Quality customer service for Zoo visitors will continue during the transition and after privatization
- Under the new management and governance structure, and with the continued financial support of the City of Tulsa, the Tulsa Zoo will continue to thrive
- The Tulsa Zoo will continue to be a valued community and regional resource
- TZMI will continue to identify the capital and operating resources to further support the financially sustainable, growth and development of the Tulsa Zoo

Consolidated Staffing Plan

It is projected the Zoo will require 153 full-time positions including 40 – 43 new positions the Zoo will need to support services and functions either currently provided by the City as an indirect service (Park & Recreation department overhead allocation) or not currently supported or not provided at all. In addition, we have allocated staffing resources to support new revenue programs related to fund-raising, membership and web-based revenue initiatives.

These new positions (highlighted in yellow on Table A) include the following:

- Keepers (2)
- Vets, including interns (2)
- Education Interpreters (2)
- Labors (5)
- Skilled Trades (7)
- Nutritionist (1)
- Information Techs (2)
- Development Staff (1)
- Membership/Development Assistants (2)
- Senior Management (3)
- Safety Officers (8)
- Cashiers (2.5)

The “privatized” staffing plan includes 7 full-time equivalent (fte) seasonal positions that will provide over 5,400 hours of work in functions related to the parking lot operations, grounds maintenance, admissions and seasonal mission-related projects. Seasonal positions would receive limited employee benefits compared to full-time positions.

We have estimated employee benefit costs to be 25% of total full-time salaries that will cover employee medical, life insurance, dental, retirement, workers compensation, and Social Security match – average benefit cost is \$9,120 per employee. Currently, the cost of City of Tulsa employee benefits is 32% of payroll and the TZF's employee cost is 20% of total full-time payroll. Employee benefits will be competitive with existing coverages.

In addition, we have assumed:

- Food service, retail and catering operations will continue to be outsourced
- All employees will be treated fairly and offered competitive salaries that are equal to or greater than the current City pay scale/schedule

It is anticipated that the TZMI, at its sole discretion, would offer employment to qualified employees who are currently employed at the Tulsa Zoo by either the City of Tulsa or the Tulsa Zoo Friends.

Similar to other zoo privatization plans that have been implemented, TZMI anticipates that there will be current City employees who are qualified but are close to their years of service within the City's retirement system. TZMI would prefer to be in a position to offer employment to these individuals while at the same time allow these individuals to remain as employees of the City of Tulsa until they accrue the necessary years of service to receive retirement benefits. It is anticipated that TZMI and the City would develop a "formula" to determine who might qualify as "transition period employees." Typically, such "formulas" are a combination of years of service and the respective employee's age in determining who might qualify. Employees, who are qualified and meet the formula parameters, would remain as City of Tulsa employees until they achieve the necessary years of service and thereafter, transition to employees of TZMI. TZMI would reimburse the City for the salary and benefit costs of any qualified employees who are considered "transition period employees."

A longevity profile of current City employees will need to be completed to assess the potential impact of transition period employees.

Although the final staffing plan for TZMI may be organized slightly differently, we have created a projected staffing plan for the new Tulsa Zoo, including a mid-point salary for each position that can be found on the following three pages – noted as Table A:

New Privatized Staffing Plan – Table A (1 of 3)

<i>Position</i>	<i>Number FTEs</i>	<i>Mid-Point Salary</i>	<i>Total First Year \$\$\$</i>
<i>Animals</i>			
Curator of Animals/Conservation/Programs	1	\$75,000	\$75,000
Curators (bird, herps, lg/sm mammal, primate)	6	\$58,000	\$348,000
Assistant Curators	2	\$48,000	\$96,000
Total Keepers	33	\$36,000	\$1,188,000
Mammal Keepers	18		
Aq/Herps Keepers	5		
Bird Keepers	6		
TARF	4		
New Keepers	2	\$36,000	\$72,000
Museum	1	\$40,000	\$40,000
Registrar	1	\$38,000	\$38,000
Total Animals	46		\$1,857,000
<i>Vet</i>			
Vets (includes interns)	2	\$75,000	\$150,000
Techs	2	\$30,000	\$60,000
Keepers	1.5	\$28,000	\$42,000
Clerical	1	\$22,000	\$22,000
Total Vet	6.5		\$274,000
<i>Education</i>			
Curator of Education	1	\$60,000	\$60,000
Nature Exchange Manager	1	\$35,000	\$35,000
Education Specialists (inc TZF)	4	\$32,000	\$128,000
Interpreters (New Positions)	2	\$36,000	\$72,000
Volunteer Manager	1	\$32,000	\$32,000
Clerical Assistant	1	\$22,000	\$22,000
Total Education	10		\$349,000
<i>Facilities/Maintenance</i>			
Facilities Manager	1	\$70,000	\$70,000
Train Tech	0.5	\$30,000	\$15,000
Lead Custodian	1	\$34,000	\$34,000
Custodians	5	\$25,000	\$125,000
Maintenance Supervisor	1	\$48,000	\$48,000
Labors	5	\$30,000	\$150,000
Skilled Trades (blended average)	7	\$42,000	\$294,000
Warehouse Staff	2	\$30,000	\$60,000
Total Facilities/Maintenance	22.5		\$796,000
<i>Horticulture & Grounds</i>			
Horticulturalist	1	\$42,000	\$42,000
Pest Control	1	\$32,000	\$32,000
Grounds Workers	3	\$28,000	\$84,000
Horticulture	5	\$29,000	\$145,000
Total Horticulture	10		\$303,000

New Privatized Staffing Plan – Table A (2 of 3)

<i>Position</i>	<i>Number FTEs</i>	<i>Mid-Point Salary</i>	<i>Total First Year \$\$\$</i>
Commissary			
Coordinator	1	\$48,000	\$48,000
Nutritionist	1	\$34,000	\$34,000
Commissary Staff	3	\$26,000	\$78,000
Total Commissary	5		\$160,000
Events Services			
Mangers (Private/Special Events (2)	3	\$33,000	\$99,000
Total Events	3		\$99,000
Exhibits			
Curator	1	\$52,000	\$52,000
Techs	5	\$36,000	\$180,000
Total Exhibits	6		\$232,000
Administrative			
Director of Finance	1	\$75,000	\$75,000
Accounting/Purchasing/Payroll	2	\$24,000	\$48,000
Cash Operations	3	\$25,000	\$75,000
Human Resources	1	\$55,000	\$55,000
Information Technology (web/raiser's edge	2	\$44,000	\$88,000
Marketing/PR Manager	1.5	\$32,000	\$48,000
Group Sales	1	\$30,000	\$30,000
Director of Development	1	\$42,000	\$42,000
Development Staff	1	\$30,000	\$30,000
Director of Membership	1	\$35,000	\$35,000
Membership/Dev Assistants	2	\$22,000	\$44,000
Visitor Services Mgr	2	\$45,000	\$90,000
Administrative Support (receptionist)	1.5	\$28,000	\$42,000
Office Support (all depts: City & TZF)	1.5	\$22,000	\$33,000
Senior Management			
CEO	1	\$125,000	\$125,000
Assistant Director/COO/CFO	1	\$100,000	\$100,000
VP - Development/Membership/Marketing	1	\$85,000	\$85,000
Total Administrative	24.5		\$1,045,000
Visitor Services			
Safety Manager	1	\$38,000	\$38,000
Safety Officers	8	\$26,000	\$208,000
Total Visitor Services	9		\$246,000
Admissions			
Admission Manager	1	\$40,000	\$40,000
Assistant Admissions Manager	1	\$30,000	\$30,000
Cashiers	2.5	\$26,000	\$65,000
Seasonal	3	\$18,000	\$54,000
Total Admissions	7.5		\$189,000

New Privatized Staffing Plan – Table A (3 of 3)

<i>Position</i>	<i>Number FTEs</i>	<i>Mid-Point Salary</i>	<i>Total First Year \$\$\$</i>
<i>(parking lot; hort, grounds, g/s, other) In addition to Admissions</i>	3	\$18,000	\$54,000
Total	153	\$36,627	\$5,604,000
Benefits (calculated at 25% of salaries)			\$1,395,396
Annual Total:	153		\$6,999,396

Identifies New Positions

~40

Seasonal hours for use @ \$10/hr 5,400
 Seasonal workers 20 wks @ 40hrs per week 7

Benefits @28%	\$1,569,120
Benefits @20%	\$1,120,800

Current City Benefits: ~32%

Current TZF Benefits: ~20%

Staffing Assumptions

- Existing animal collection
- Existing facilities & conditions
- Food/Retail/Catering are outsourced
- Most primary service needs are managed with internal staff
- Benefit rate of 25% to cover former City employees under comparable plan
 - Benefit rate of covers all insurance; Soc/Security and W/C
 - Per employee benefit cost assuming 153 FTE is \$9,120
- Salaries are competitive with City pay scale/schedule

Financial Resources

Based on our experience in working with zoos over the past twenty years and our review of the Tulsa Zoo's financial performance over the past three years (financial information and spreadsheets were compiled by Parks and Recreation and the TZF staffs), we have created Table B which outlines the new Tulsa Zoo's financial operating pro forma for the "baseline year". The "baseline year" (fiscal year 2011) is based on the Zoo's current facilities, animal and visitor programs.

The baseline financial projections are supported by the current business strengths of the Tulsa Zoo:

- Annual Zoo attendance of 525,000 – 535,000 visitors
 - The Zoo's annual attendance has been increasing over the past three years
 - The Zoo's peak attendance was 669,000 visitors in 1998 with the opening of the Rainforest exhibit
- A growing number of household members – currently approaching 13,000 households – three years ago, the Zoo had 9,500 household members
- Over 1,000 household members who support the Zoo through upper-level memberships and annual fund programs and its fund-raisers
- A strong operating partnership with Service Systems Associates (SSA) in managing its food, retail & catering services
- A strong image and awareness in the regional and local community
- Opportunities for new and compelling visitor experiences that are supported by a new facility master plan vision

As identified in Table B on the following page, in the baseline year, the TZMI would require a minimum funding commitment from the City of Tulsa of **\$5 million** to support the Zoo's on-going operations. This level of funding would allow TZMI to leverage other private-sector support for the Zoo and provide TZMI with the necessary operating resources to successfully manage the Tulsa Zoo. In addition, the \$5 million annual appropriation from the City, plus any CPI adjustments, would serve to "cap" the City's annual investment in the new Tulsa Zoo while ensuring that the Zoo operates at the highest quality of experiences for residents and visitors as well as to providing the best care for the Zoo's animals. The baseline projection does not reduce Zoo programs, activities, hours or visitor services, but further invests in its future as a viable and dynamic community and cultural resource.

Table B – Baseline Pro Forma & Notes

	Pro Forma	Notes
Attendance	530,000	
Admissions (net)	\$1,585,000	Current pricing
Food Concessions	\$290,000	Current %
Retail Concessions	\$225,000	Current %
Train/Rides	\$245,000	
Membership	\$900,000	Higher utilization
Private Events	\$5,000	
Stroller	\$18,000	
St Safari/Memb Events	\$20,000	
Hallowzooeen	\$85,000	
Camels	\$20,000	
General Donations	\$450,000	Transition \$\$\$
Marketing/Sponsorships	\$125,000	New focus
Grants	\$125,000	Program Driven
Education Programs	\$125,000	Program Driven
Friends Events (net)	\$250,000	
Interest Income	\$50,000	
Parking	\$150,000	Fees
City Allocation	\$5,000,000	Management Fee
Other Revenue	\$20,000	
Total Operating Revenues	\$9,688,000	
Operating Expenses	Pro Forma	Notes
Salaries & Benefits	\$6,999,000	Per staffing plan
Animal Food	\$285,000	Existing collection
Supplies/Tools/Repairs	\$275,000	
Capital Equipment	\$100,000	Minor improvements
Animal Purchase	\$0	
Professional Services	\$125,000	Services: copiers
General & Admin.	\$150,000	O/head: audit, phone
Marketing	\$325,000	3.5% (s/b higher)
Operations	\$100,000	
Volunteer	\$50,000	
Development	\$175,000	Cultivation increasing
Utilities	\$750,000	Three year average
Insurance	\$125,000	TZMI exposure
Maintenance/Operating Supplies	\$229,000	
Total Operating Expenses	\$9,688,000	

Notes on the Pro Forma baseline projections:

- Conservative revenue projections and realistic expense allocations.
- General Donations include “transition funding” from the \$5 million start-up funds and new unrestricted operating programs
- City Contribution of \$5 million is City’s current baseline investment in the Zoo
- Membership revenues increase due to new focus on “value and annual pass” programs

- Marketing sponsorships could be funded, in part, through transition funds
- Friends Events assumes that annual fund-raiser would be re-allocated to support operations and not capital improvements
- Parking revenues assume that the Zoo charges for parking for its adjacent lots
- Salaries and benefits reflect staffing plan (Table A)
- Marketing expense for purchased services (media and not salaries) is budgeted for 3.5% of total operating expense; typical zoo benchmark is 5% or approximately \$480,000 in expenses (increase of \$155,000)
- Utilities reflect the prior three-year average of actual expenses incurred
- Maintenance/Operating Supplies are allocated to invest in deferred maintenance and to support the new full-time staff positions in facilities
- The investment cost per visitor for the new Tulsa Zoo is projected to be \$18.26; while Gilcrease Museum incurs an investment cost per visitor of approximately \$74.61– the Zoo’s low cost, affordable pricing and high value are a perfect balance for the Zoo’s future.
Note: as annual attendance increases for both the Tulsa Zoo and Gilcrease Museum, the investment cost per visitor will decrease. In addition, the Tulsa Zoo’s investment cost of \$18.26 is “on average” compared to other benchmark zoos and compared to its average admission ticket price.

Factors for Success

We have identified the critical components that must be in place to allow the TZMI to move forward under a privatized organizational model to operate and manage the Tulsa Zoo:

- Transition the Tulsa Zoo to a new governance and management structure by July 1, 2010 or be prepared to close the Zoo as it will experience further decline and eventual failure. There is a “window of opportunity” to move forward:
 - June 30th expiration of TZF service agreement with the City
 - Eliminates further reductions in Zoo services, programs and experiences
 - Build confidence in the community with the “new” Tulsa Zoo and its new leadership
 - With the Zoo’s future governance structure known and committed for the next 25 years, the funding community (major donors) are positioned to invest in their community asset
- Management and Land Lease agreement between the City of Tulsa and the TZMI
- Leadership from the City and TZMI and willingness among the City and TZMI to create a “win/win” partnership environment; a “champion” within TZMI that has community clout
- A compelling “vision” for the Tulsa Zoo that can be clearly communicated and promoted within the community
- Annual funding commitment from the City of Tulsa – at least \$5 million in annual operating support
- Commitment from the City to provide “repair & replacement” funding or capital improvement funds to support re-investment of City assets.

- In the initial transition years, commitment from the City to support capital “start-up” operational improvements – among them: new telephone and computer networks; transfer of existing Zoo vehicles and City assets utilized at the Zoo
- All qualified Zoo employees become employees of the TZMI. The TZMI shall, at its sole discretion, determine which employees are deemed qualified and therefore offered employment with the new Tulsa Zoo.
- Commitment from the City to participate in future bonding initiatives to support the Zoo’s facility plan implementation.
- Start-up expenses for contract negotiations, marketing support, employee benefit and insurance consultants; risk management and other transition consultants/professionals could range from \$250,000 to \$500,000, assuming a July 1, 2010 transition date. Should the actual transition date extend beyond July 1, 2010, start-up expenses could increase to over \$1 million

Recommendations/Next Steps

To move forward on a timely basis – transition by July 1, 2010, we have identified the following next steps:

	Next Steps	Timeline
1	Identify TZMI Board and its Privatization Committee to frame terms and conditions of management and land leases with the City	March
a	Utilizing the term sheet considerations, outline management and lease agreement between City and TZMI	
b	Identify funding sources for the \$5 million in transition/start-up funds	
2	Finalize funding options with City on annual operating appropriation	May
a	Options for establishing a long-term guarantee of funding from City	
3	Meet with City Council to review governance study and term sheet	March
4	Review staffing plan and pro forma projections with TZMI	March
5	Outline “transition period employee” process and guidelines	March -April
a	Develop employee census with longevity matrix to determine “transition rules” for vested and non-vested City employees	
b	Identify employee benefit plans	
c	Evaluate existing employees to determine “qualified” employees eligible for employment with TZMI	
d	Schedule employee meetings: as a group and individually	
6	Develop “case for support” for transition funding	April
a	Utilized to support “start-up” expenses and seed operating reserve fund	March
7	Develop transition timeline with key milestones once “framework” of management and land lease agreements have been identified	April
8	Develop communications plan and key “message points” for communicating the privatization plan	April
9	Identify capital start-up needs: telephone, computers, vehicles, etc.	May

The following is a tentative transition schedule for achieving a July 1, 2010 implementation date:

	Tentative Transition Plan	Timeline
1	City Council approves concepts and term sheet	May 15
2	45 Days of formal transition	May 15 - July 1
3	Identify and hire key transition employees	May 15 - June 1
4	Employees given notice of lay-off	May 15
5	New operating company formed or identified	June 1
6	Transition funding is identified	March 15 -May 15
7	Council approves contract and funding	June 15
8	Operation turned over to TZMI	July 1

Summary

Privatization of the Tulsa Zoo can be “win/win” for the City, TZMI and the community IF:

- There is top-tier leadership and willingness with City officials and TZMI Board to move forward with the transition
 - Focus on getting the transition complete by July 1, 2010 – will take considerable energy and commitment from the Zoo & TZF staffs, the City of Tulsa officials and City Council to achieve a July 1st transition date....without transition, the Zoo’s future is very questionable due to the limited funding and commitment to the Zoo’s mission by the City of Tulsa
- There is a long-term and consistent funding commitment for operating support from the City of Tulsa of at least \$5 million annually, with increasing inflation-related adjustments in future years
- The City of Tulsa is positioned as the Zoo’s major donor in terms of its annual operating support to the Zoo – at least \$5 million of funding; TZMI continues to cultivate and openly acknowledge the City and its leadership
- The “star” leaders of the proposed TZMI Board secure the estimated \$5 million in transition funds required to support and leverage the successful shift in governance
- The new Tulsa Zoo embraces an entrepreneurial management approach that effectively and efficiently leverages its financial resources to provide exceptional visitor service and experiences

- Employee resources are maximized
- Funding for deferred maintenance has been allocated
- The new Tulsa Zoo's vision is clearly communicated and promoted within the regional community
- Key message points for the transition are identified and a communications plan is outlined with roll-out in March 2010

**TULSA ZOO MANAGEMENT AGREEMENT
BY AND BETWEEN
THE CITY OF TULSA
AND
TULSA ZOO MANAGEMENT INCORPORATED (TZMI)
TERM SHEET**

Type of Contract: Management Agreement

Parties: Owner: City of Tulsa, a municipal corporation (“City”).
Manager/Operator: Tulsa Zoo Management Incorporated, a 501(c)(3) corporation (“TZMI”) and affiliate of the Tulsa Zoo and Living Museum.

Contract Term: Term is for 25-years, effective July 1, 2010 (the Effective Date), with two five-year renewal options.

Management Services: TZMI shall be responsible for full operational management, repair and maintenance of the Tulsa Zoo and will bear all costs associated with these responsibilities.
TZMI shall operate the Zoo to a standard that is similar or exceeds what has historically been implemented by the City of Tulsa & Tulsa Zoo Friends.

Management Fee: The City will pay to TZMI a management fee in the following amounts:
FY ending June 30, 2011 \$5,000,000
FY ending June 30, 2012 and beyond \$5,000,000*
* adjusted annually by CPI
Management Fee shall be paid in advance, in quarterly installments, and adjusted annual by CPI with agreement that annual management fee can not be reduced from the prior year.

The Management Fee shall be capped and limited to an amount that, when added to Zoo's earned revenues from all sources, equals but does not exceed the Zoo's operating costs (including funding of reasonable reserve accounts consistent with good industry practices).

All financial payment obligations of City, including but not limited to the Management Fee, will be subject to annual appropriations and a termination provision for non-appropriation is included.

Transfer of ownership by City to TZMI of the Personal Property, and/or any other items shall constitute additional first year management fee/consideration beyond the management fee payment.

Any dedicated multi-year fund balances for minor capital improvements and educational programs shall be transferred to TZMI for their intended use.

Ownership of Land and Existing Improvements:

City shall retain ownership of all land, real property interests, buildings and improvements utilized for the operation of the Zoo.

Collections:

Prior to the Effective Date, City shall prepare and submit to TZMI an inventory of its zoological, botanical and non-living museum collections (the "Collections").

City shall transfer ownership of the Collections to TZMI which shall own, preserve and manage same for the duration of the Agreement using industry standards and best practices.

The parties shall take all necessary steps to transfer and assign all relevant permits, registrations, licenses, etc. ("Permits") necessary, appropriate or convenient to the ownership, preservation, and management of the Collections.

Upon termination of the Agreement for any reason TZMI shall convey all Collections and Permits as directed by City.

Any additions (whether through acquisition, donation, or propagation) shall become a part of the Collections and subject to conveyance as directed by City upon termination of the Agreement.

- Books & Records:** City shall provide TZMI with copies of requested books and records applicable to the operation of the Zoo to the extent not confidential or otherwise prohibited from being disclosed as determined by City in its sole discretion.
- Upon termination of the Agreement for any reason TZMI shall convey copies of any and all of the books and records applicable to the operation of the Zoo as directed by City.
- Personal Property:** City will transfer Personal Property utilized by the Zoo for daily operations. City shall prepare and submit to the TZMI an inventory of all personal property used in conjunction with the Zoo, including all vehicles, equipment, furniture, tools, supplies, merchandise, etc.
- Personal Property and collections plus additions and replacements, shall be conveyed to the City upon termination of this agreement.
- Existing Contracts:** Upon termination, City will provide TZMI with a list and copies of all contracts applicable to the ongoing operation of the Zoo, including without limitations, equipment leases, concessions, suppliers contracts, service contracts, employment contracts, etc., but excluding construction contracts relating to current projects (“Contracts”).
- The parties will mutually determine which of the Contracts can be assigned to and assumed by TZMI or terminated without undo expense to the parties. The parties shall determine which Contracts shall be assigned and assumed and which shall be terminated and shall execute and deliver the appropriate instruments to affect same. To the extent possible, said assignments and assumptions and/or terminations shall be effective as of the Effective Date.
- The Agreement shall be subject to a mutually agreed resolution and disposition of any Contracts that cannot be assigned and assumed and/or terminated without undo expense to the parties.
- Upon termination of the Agreement for any reason, the Contracts shall be assigned to and assumed by City and/or terminated as City shall direct.

**Computers, Software,
Communications
Equipment and Systems:**

A technology plan shall be developed and implemented for the transfer and transition of IT items. The parties shall develop a Technology Plan (“the Plan”) to provide for an orderly transition and conversion of information systems from the City to TZMI; provided however, that the primary consideration in the Plan will be the preservation of the security of any and all City systems and data.

The Parties recognize that full implementation of the Plan and conversion to new systems will require a time frame past the effective date. The Parties acknowledge that the transition will be completed without any significant disruption of service to zoo operations before and after the effective date.

The City will provide an inventory to TZMI of computer equipment located at the zoo (e.g. PC’s, servers, printers, scanners, copiers, and fax equip.), telephone equipment (e.g. phones, routers, switches and other phone equipment), and radio equipment. To the extent practicable this equipment will be transferred to TZMI as Personal Property.

The City and TZMI may contract for the City to continue to provide radio service for the Zoo.

The Parties will endeavor to transfer software licenses, if possible to TZMI. If the transfer of such licenses is not possible or practical, TZMI will acquire the necessary software licenses.

**Permits, Licenses
& Certifications:**

TZMI will be responsible for all permitting, licensing, memberships and accreditations associated with Zoo operations including, but not limited to, USDA, ISIS and AZA. TZMI will be responsible for securing and maintaining any and all permits, licenses, certification, and AZA accreditations necessary, appropriate and convenient for the operation of the Zoo.

City and TZMI will endeavor to transfer from City to TZMI any such permits, licenses, certifications, and AZA accreditation, as may be transferred. Any cost related to said transfers shall be a cost of management and operation under the Agreement to be borne by TZMI.

Upon termination of the Agreement for any reason any and all such permits, licenses, certifications, memberships

and AZA accreditation shall be transferred as City shall direct at City expense.

Intellectual Property:

To the extent deemed necessary or advisable City may license to TZMI such copyrights, patents, logos, trademarks, trade-names, trade-secrets, visual art, or similar rights currently used in the operation of the Zoo.

Any such rights or property developed by TZMI with regard to the Zoo and/or operation under the Agreement shall belong to and be the property of City, be considered works-for-hire or, if found to be the property of TZMI, shall be transferred and assigned as directed by City upon termination of this Agreement for any reason.

Personnel:

This section needs “to-be-determined” after further discussions with the City and Friends

TZMI shall have sole discretion over all personnel matters and will hire employees to staff Zoo operations.

All current Zoo employees will have the opportunity to apply for positions with TZMI.

Zoo Revenues:

All Zoo revenues shall be retained by TZMI for the operational costs and benefit of the Zoo.

Revenues shall include, but are not limited to:

- Gate Receipts
- Food & Retail Concessions
- Ride Revenues/Fees
- Memberships
- Sponsorship Opportunities
- Parking
- Contributions

Admission prices shall be determined and established by TZMI as necessary. TZMI will insure that admission prices, fees and policies are established and are within fair market value of comparable attractions and zoos in the region.

Capital Expenditures:

All necessary capital improvements will be the responsibility of the TZMI. City shall continue to consider requests for Zoo capital improvements for inclusion in future sales tax and bond referendums.

TZMI shall continue to develop, pursue and solicit private funding for major capital improvements and other Zoo projects to match and/or exceed City capital funding contributions.

TZMI will not undertake any major capital projects and/or improvements (in excess of \$1 million in construction costs) unless approved in the to-be-completed Zoo Master Plan. If needed, City could administer all City-funded capital improvement projects.

For public-sector funding projects, City could maintain design and construction oversight of major capital improvements.

Bond Projects:

Current bond and/or City capital program funded projects and/or other construction projects involving the Zoo will remain with and under the sole, exclusive and unqualified control of City as to any and all aspects of same, including but not limited to scope, scheduling, institution, prosecution and completion of same. City has no obligation or commitment to TZMI with regard to same. TZMI shall cooperate and facilitate any and all such projects and related activities.

The parties shall coordinate and cooperate on any future bond projects and/or construction activities so as to minimize disruption of Zoo operation, while expediting and facilitating the projects' economical and efficient completion.

Maintenance and Repairs:

TZMI shall be responsible for the maintenance and repair of all parts of the Zoo, including without limitation, exhibits, landscaping, equipment, buildings, major structural components (foundation, roof, and exterior walls), major equipment and systems (electrical, mechanical, HVAC and plumbing), internal drives, grounds and parking lots.

Construction:

TZMI may from time to time propose construction projects. TZMI shall submit plans, specifications, construction schedules, and budgets for said projects over \$100,000 to City for review and approval before performing any such activity. TZMI shall not proceed with any such projects without City's written prior approval.

All construction activity shall be performed in a good and workmanlike manner, in conformity with the approved plans, specifications and schedules and in accordance with all applicable federal, state and local laws and regulations (including but not limited to building codes, ADA requirements, and any and all applicable environmental, health and safety requirements). The parties shall establish a reasonable approval / punch list procedure to document completion of any construction.

TZMI shall be responsible for obtaining and maintaining all permits, licenses and consents necessary for said activity. TZMI shall be liable for and promptly pay all cost relating to said projects. Before beginning any construction activity, TZMI shall provide City documentation of TZMI's financial ability to fund the full construction costs contemplated. In no event shall TZMI allow any liens to be affixed to the Zoo, the improvements made, equipment installed, and/or any interest in the Agreement.

TZMI shall secure and maintain payment and performance bonds and insurance (with City as co-insured) at least equal to that required on similar City construction projects and otherwise acceptable to City.

Operational Contracts:

Any and all contracts related to the management and operation of the Zoo by TZMI, including without limitation, vendor contracts, concession contracts, service agreements, naming and sponsorship arrangements, etc., shall (i) be in the name of TZMI and not City; (ii) terminate upon termination of the Agreement unless City elects to assume the specific contract, (iii) provide City the right to assume or terminate the contract upon termination of the Agreement with no liability for prior performance, (iv) contain commercially reasonable insurance requirements, (v) indemnify City against any costs or liabilities thereunder prior to assumption, and (vi) be on

commercially reasonable terms consistent with good industry practices.

Any current and future permanent naming rights shall survive the termination of the Agreement. TZMI has the authority to grant permanent naming rights of an exhibit or structure for a minimum of 20 years or the life of the exhibit or structure being named.

City shall be entitled to request, receive and maintain copies of said contracts.

Utilities:

TZMI shall be responsible for securing and paying for all utility services (including without limitation, electricity, water, wastewater, storm water drainage, garbage and refuse disposal, gas, telecommunications, etc) for the Zoo.

TZMI will open its own accounts with utility providers. Should the parties determine that it is more advantageous, practical and/or economical for TZMI to acquire any or all of its utilities through the City's utility arrangements and that such an approach is permissible, the parties may, at TZMI's expense, make arrangements for either separate sub-metering of said utilities or a proportionate allocation of said utility expenses.

In no event shall City be liable to TZMI for any loss or disruption of utility service.

Pending Claims:

City will be responsible for any claims relating to the Zoo and Zoo operations for the period of time occurring prior to the Effective Date, subject, however, to any and all defenses and immunities available to City.

TZMI will be responsible for any claims relating to the Zoo and Zoo operations for the period of time occurring from the Effective Date though termination of the Agreement.

Indemnification:

TZMI will defend, indemnify and hold City harmless of and from any and all claims arising from TZMI, its operation of the Zoo and/or its performance under the Agreement.

Termination:

Contract Termination Provisions:

- Non-Appropriation
- Material Default
 - 90 day notice and opportunity to cure
- For Convenience
 - 180 days notice

Insurance:

The City shall be responsible for adequately insuring the Zoo property and exhibits and buildings against damage or loss, and in the event of damage or loss, the City must agree to look solely to such insurance coverage.

The proceeds of any and all such property and casualty insurance shall be committed to repair and restoration of the damaged improvements.

TZMI shall maintain comprehensive liability insurance, employer's insurance, worker's compensation insurance and fidelity bonds in specified minimum coverage amounts. City shall be a co-insured on all policies.

Major Casualty Loss:

Upon a major casualty loss, e.g. major or complete destruction of a building(s) or exhibit(s) due to fire or other causes including acts of God which makes the exhibit(s) or building(s) unusable or unsafe for a significant period of time, the City and TZMI will mutually agree whether to discontinue the exhibit or to repair or replace the exhibit at the current location or alternate location within the Zoo. If insurance proceeds are insufficient to repair or replace the building or exhibit (including the animals), restoration or replacement of the building or exhibit will be conditioned upon the City and TZMI reaching agreement upon the capital contributions of each.

Assignment:

TZMI may not assign, pledge or encumber the Zoo real property and improvements, the Collections, the Personal Property, the Contracts, the Permits, the Technology Equipment, the future operating contracts, or this Agreement, or any interest therein, without the prior written consent of City, which may be denied in City's sole and unqualified discretion. However, TZMI may enter into equipment leasing transactions for new technology

equipment and vehicles and other equipment so long as such transactions do not encumber existing Personal Property and do not create any liability contingent or otherwise to the City. Prior to entering into such leasing transactions, TZMI will provide documentation to the City.

Miscellaneous Provisions: TZMI shall provide City with periodic financial statements and reports as City deems appropriate. City shall have the right to audit TZMI’s financial records.

TZMI must maintain its respective Oklahoma non-profit and IRS Section 501(c)(3) status at all times.

The City shall contribute any existing bequests to the Zoo (however designated) to TZMI. All funds and accounts of TZMI shall be limited and restricted to support of the Zoo and / or performance under the Agreement. Upon termination of the Agreement said funds held by TZMI which are not restricted by the donor in such a manner as to prevent the assignment of such funds, shall be turned over to the City for use in support of the Zoo, or if the Zoo no longer exists, for the benefit of the Tulsa Park & Recreation Department.

Any Zoo real property, improvements, Collections, Personal Property, etc. will be available to TZMI strictly on an “AS IS, WHERE IS; WITH ALL FAULTS”. TZMI disclaims and waives any and all warranties or representations, express or implied, concerning the said items and the Zoo, including without limitation its suitability or fitness for any particular purpose and/or its commercial habitability.

TZMI will accept management of the Zoo and their obligations under the Agreement subject to all matters of record in the real property records of Tulsa County, Oklahoma applicable Zoo and all existing zoning.

This Term Sheet is intended to serve as a guide to outline the principal terms of the Management Agreement between the City of Tulsa and Tulsa Zoo Management Incorporated. The Management Agreement itself is the controlling document.