



Minnesota State Zoological Board.
Zoo-Related Organizations Files.

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Minnesota Zoological Society

Kathryn Roberts, Director
Minnesota Zoological Garden
Apple Valley, MN. 55124

Dear Kathryn:

As you know, the Minnesota Zoological Society was one of the principal founding forces which helped the Minnesota Zoo become a reality. For several years, both before and after the opening of the Zoo, the Society and the Zoo Board worked together closely for the Zoo's benefit. The Society is anxious to reestablish its working relationship with the Zoo Board and to revive an active and supportive membership which would work with the Zoo Board to develop, implement and provide continuity to programs and events that the Zoo Board feels would be helpful for the growth and development of the Zoo.

The current members of the Society Board feel that it is time to pass the baton to new board members who will develop new programs for the Zoo, under the Zoo Board's guidance, and who will carry on the Society's tradition of support for this Zoo that we all love. We would like to add new energy and ideas to the Minnesota Zoological Society's programs by attracting new members from among the ranks of the Zoo's Volunteers, from its annual pass holders and from among the many other interested persons who believe in the purposes and benefits of the Zoo. We believe that the greatest vitality will be achieved if the present Society Board membership is completely replaced by a new board chosen by an expanded membership group.

The Minnesota Zoological Society has long felt that there is an inherent value for the Minnesota Zoo in having a citizen-based auxiliary organization that can provide support for the Zoo. One of the objectives of such an organization must be to assure that its name, funds and other holdings are used to promote the goals of the Minnesota Zoo in a manner that is faithful to the policies and programs established by the Zoo Board. We believe that the Minnesota Zoological Society has been in the past, and can be once again, such an auxiliary support organization to and for the Minnesota Zoo and the Zoo Board for the following reasons:

*Though thousands of people regard themselves as Zoo "members", there is no real participatory membership in the Zoo. People can buy passes which allow them to use the facility, but there is no way that citizen users can be members, as such, of a state owned and operated organization. The annual pass purchasers at the Zoo are offered entertaining and educational programs for their benefit by the Zoo and its staff. A citizen-based membership organization, on the other hand, offers its programs and services for the benefit of the Zoo and provides a means whereby interested and committed members of the lay public can be meaningfully involved with the Zoo. That distinction cannot be stressed enough. The Society could assist the Zoo Board in carrying out a variety of tasks that the Zoo Board would like to undertake but does not have the staff or resources to accomplish. The resources of a citizen-based, membership organization, comprised mostly of people whose interests go far beyond the economics of admission pass purchases, could substantially expand the capacity of the Zoo Board to achieve its goals and objectives through the combined forces and efforts of the volunteer members of that organization. We fully recognize the importance of the Zoo's present volunteer program, but Zoological Society membership could further increase the roles of volunteers.

*As an established, non-profit organization, the Society can accept grants, bequests and contributions to be used for the benefit of the Zoo from those donors who may be reluctant to contribute their funds directly to a state organization but who would willingly contribute to a non-profit, tax-exempt support organization. To avoid the misunderstandings of the past, a mechanism should be developed to ensure that such funds are applied in a manner acceptable to the Zoo Board.

*The Society would provide continuity to episodic volunteer activities such as zoo walks, "Beastly Balls," and so forth. Not only fund-raising activities, but such things as a series of outreach programs in conservation and education could be arranged by Society members.

*The Society would provide a sense of belonging, participation and contribution to those active volunteers who presently work on a regular (or occasional) basis at the Zoo that would go beyond the important contribution which they already make through their volunteer hours at the Zoo.

*The Society can provide a professional zoological organization, under the auspices of the Zoo, for those whose interests center on zoology.

*When the Society's \$100,000 certificate of deposit (which represents its most substantial asset) matures, a contribution of a significant portion of those funds could be made to the Zoo in order that the Zoo might obtain an added present benefit from the matching fund program now available through the State of Minnesota. (Of course, if the Society disbands, most, if not all, of those funds would in all likelihood be paid to the Zoo in connection with a liquidation of the Society, but that would defeat the more important objective of reviving and developing a citizen-based volunteer support organization. Additionally, it is relatively expensive to undertake dissolution proceedings.)

It would probably not be useful for the purposes of this proposal to enumerate specific programs that the Society might initially work on for the Zoo if a working relationship is reestablished with the Zoo Board. Rather, such programs would be identified in cooperation with the Zoo Board and at its request. It would probably be counterproductive for the Society Board to enumerate at the present time the specific programs that it would propose to initiate or work on for the Zoo because, developed in a vacuum, such programs might have little or no connection to the Zoo Board's needs or plans for the Zoo, and, without the support of the Zoo Board, such programs would likely be doomed to failure.

The Minnesota Zoological Society has remained in a holding pattern for the past few years, anxious to resolve the issues that have separated the Society and the Zoo Board and even more anxious to resume the Society's activities in support of the Zoo. The Society Board members wish to see that such a resolution now be brought about to benefit the Zoo and provide the Society's members the opportunity to assist the Zoo with the challenging (and difficult) tasks that lie ahead. If the Society simply dissolves, a golden opportunity is lost-- both for the Zoo, which would lose the value of a potentially important citizen support organization, and for the Society's present and potential members who are seeking a channel through which they can direct their energies to promote our Minnesota Zoo.

The Zoological Society Board holds firm allegiance to the Minnesota Zoo and wishes fervently to justify the great amount of effort carried out by former Zoological Society members and board members who gave so much of themselves to help initiate and support the Zoo. Society Board representatives would like to meet with the Zoo Board or its representatives and have a spot on its agenda at one of the next meetings of the Zoo Board to discuss this proposal, to obtain input on the proposal from the Zoo Board and to discuss the method of implementation if the proposal is received favorably by the Zoo Board.

Sincerely,

Laddie (Adela S.) Elwell

Adela S. Elwell, Ph.D.
President, Minnesota Zoological Society

cc. Bernie Klein
Dr. Peter Jordan
Dr. Daniel Svedarsky

MZG/MZS History

The Legislative Auditor's report (published April 1979) on the Minnesota Zoological Garden for the years 1975, 1976 and 1977 included a finding that the zoo board's relationships with the Minnesota Zoological Garden Foundation (MZGF) and Minnesota Zoological Society (MZS) had a potential for conflict of interest.

The boards of both the MZGF and MZS included members of the zoo board, or members appointed by the zoo board chairman to represent the zoo board, according to the by-laws of each of those independent organizations. (See Attachment A for the full analysis and recommendation.)

In late 1980, two zoo board members were assigned the task of reviewing the zoo board's organization and the division of responsibilities between the board and the General Director, as well as relationships between the Zoo Board, MZGF, and MZS. The task force recommended that a special committee, composed of members of each of the three separate organizations, consider whether one umbrella agency could cover both the Foundation and Society (perhaps on the zoo site), and whether existing contracts should be renegotiated. As a result of this report, and subsequent discussion at the January 1981 zoo board meeting, the Society was notified of the zoo board's intent to renegotiate the reciprocity contract, which was to expire in May of that year. (See "Attachment B" for a report issued by the MZGF at this time, explaining that its operating funds would be depleted by July 1981.)

From January 1981 through October 1981, four extensions to the Society reciprocity agreement were authorized to allow additional negotiations; however, no agreement could be reached which was acceptable to both the zoo board and the society board, and the relationship became even more strained than in the past.

Also attached: MZG/MZS Operating Relationship, including a new Legislative Auditor report on relationships; pertinent sections of November & December 1981 board meetings; and letters sent to "capture" Society members for the zoo's own membership program, begun in January 1982.

The Legislative Auditor's Report, dated April 1979, for the Years ended June 30, 1975, 1976 and 1977 included a finding, quoted below:

" ZOO BOARD'S RELATIONSHIPS WITH NONPROFIT ORGANIZATIONS

Finding

The zoo board's relationships with the Minnesota Zoological Garden Foundation (MZGF) and the Minnesota Zoological Society (MZS) have the potential for conflict of interest.

Analysis

In April 1975 the zoo board approved a resolution to support the creation of a nonprofit foundation for the express purpose of raising money for the zoological garden to meet the matching fund provisions of Minn. Stat. Section 85A.05, Subd. 6. Subsequently, the MZGF was incorporated. Five of the six incorporators were or are members of the zoo board. We were told by zoo board personnel that zoo board members were incorporators because it was a federal tax requirement for nonprofit status for the foundation.

Two private foundations had approved grants to the zoo board. At the June 1975 meeting of the zoo board, a motion was approved that the zoo board take the necessary action to divert funds from the one foundation grant, pursuant to their approval already received, and to obtain approval from the other foundation to divert sufficient monies from their grant to fund initial operating expenses of the MZGF for one year. Subsequently, \$6,642 was given by one foundation and \$75,000 was given by the other foundation to the MZGF, thereby reducing the amount of grants paid to the zoo board.

The MZGF board is composed of 21 members. Currently, nine of those members are also serving on the zoo board. The foundation's bylaws require that the zoo board chairman appoint eleven members of the foundation board.

The MZS was incorporated in 1961 as a nonprofit corporation to support a zoo in the City of Saint Paul, Minnesota. The articles of incorporation were amended in June 1975 changing the society's purpose to assisting and supporting the Minnesota Zoological Garden. The society's board is composed of fourteen members of the society and seven members who may be members of the zoo board or selected by the zoo board to act in place of the zoo board members.

The zoo board has a reciprocal agreement with the society. The agreement provides for society members to have free admission to the zoological garden. In return, the society is to reimburse the zoo board for the costs of the free admissions based on the group discount rates by providing volunteer workers for the zoological garden at a rate of \$3.25 per hour and cash payment.

Two brochures entitled "Wildness is Right Here in Minnesota" and "Where in the World..." have been prepared and distributed by the zoo board. Included in each brochure are promotional statements regarding the foundation and the society. No disclaimer is included in the statements that the foundation and the society are independent organizations. Also, the organizations did not pay the zoo board for inclusion of the promotional statements in the brochures.

Invitations to a pre-opening reception on May 21, 1978 at the zoological garden stated

that the general director and members of the zoo board were inviting persons to the reception. However, payment for the reception at \$12.50 per person was to be made payable to "MZG Foundation" and sent to the foundation's office with the response card.

Zoo board personnel told us they were advised that they could raise and receive money, but under the state constitution could not spend state funds for things such as the personnel necessary to raise those funds. We know of no prohibitions against fund-raising by zoo board employees in the state constitution. However, we believe the board should request a legal opinion from the Attorney General on this issue.

Although there may be no legal prohibitions against zoo board members serving on the boards of the foundation and society, we believe the interlocking relationships between the boards has the potential for conflicting interests and responsibilities for the zoo board members, and may be confusing for the public. The zoo board is a state agency and therefore the board's members and employees are subject to certain standards regarding their conduct and compensation. Board members and employees of the foundation and society are not subject to similar provisions. Also, the zoo board is expressly created to serve the interests of the public; the foundation and society, while having similar goals, are not legally charged with the same objective.

Recommendations

11. The authorities of the zoo board as stated in Minn. Stat. Chapter 85A should be expanded to provide authority for the zoo board to engage in the activities presently performed by the foundation and the society.
12. Promotional statements for the foundation and society should include a statement that the foundation and society are not subject to state control through the state board.
13. The foundation and society should be charged for the cost of their promotional statements in the zoo's brochures."

MZGF REPORT TO ZOO BOARD

January 8, 1981

It is difficult to convey once each month to you at the Zoo Board Meeting the summary or any detail on the position of the Foundation's policies, positions or programs in just a few minutes. As a result, some of the things that are happening and some of the ideas that are behind the Zoo Foundation's efforts are often uncommunicated. This month I have attempted to put several significant comments together in the form of a written report to you.

Originally, the Foundation was established by you, the members of the Zoo Board, in order to develop a program within the private sector for financial support of the Zoo, a State agency. For the first several years, all of you, or your predecessors on the Zoo Board, regularly attended the Foundation meetings. During the past two years, this procedure has been changed. While there is some overlap by appointment from the Zoo Board to the Foundation Board, there is also a need for all of you to be better aware of the Foundation's philosophy and posture. The Foundation has attempted to keep all of you informed through minutes of each meeting and copies of proposals or position papers. You all have a standing invitation to attend any and all of the Foundation meetings.

The past couple years have been a difficult time for the Foundation's program as well as your Zoo's program. In order to successfully convey and convince prospective donors on the building program needs of the Zoo as well as the benefits which will result, the Foundation has been attempting to stress the many strengths and accomplishments which are truly significant. However, much time is also consumed talking to the other issues which are in the public view.

The high level of commitment and financial support developed during the first couple years has not been maintained during the past two years. This is not any new news to you. Part of the results are because of negative image and reactions - part of

this is due to a less aggressive development program by the Foundation. It is the Foundation's hope that this present trend can be reversed and once again secure the high level of private sector support that is desired. In order to achieve the goal of bringing private sector philanthropy into funding development of a state agency, the Foundation has researched and proposed several extensive fund raising programs. While several of the major proposals have not been implemented, they are still accomplishable under favorable circumstances. It is now a point in time when an extensive development action program is once again needed.

Some of the supporting pieces are being assembled and they are starting to fit together. Let me try to share with you two major concepts which are at the top of the Foundation's current list for implementation.

The Foundation is currently working on two operating proposals - first a six month plan and second, a six year plan.

If the six month plan is successful, then, and only then, will the six year plan be possible.

I. The Six Month Plan

The basis of this Six Month Plan is to test the thesis that certain elements are necessary to raise gifts and grants for the Zoo's building program. All existing research and experience indicates that in order to ask for financial gifts and get them, basically you need to consider the attitude and logic of the donor as well as the need of the recipient. A donor wants to be on a winning team. To secure contributions you need:

1. A good organizational purpose
2. Successful operations
3. A well documented statement of what the requested funds will be used for.
4. Measurable benefits and financial justification.
5. Quality leadership and positive image.
6. Other statements of the same nature.

Let me now put these ideas into a description of the Foundation's Six Month

Proposed Plan:

1. The Foundation has as its purpose the best reason of any community effort in the State. The Foundation also has experienced leadership on its Board.
2. The Foundation can point to an initially successful development program, a good product for future development and good potential for a justifiable on-going development effort.
3. A well documented case statement is being assembled. Initial proposals have been delivered to the Governor and others in the appropriate State Agencies.
4. The benefit package points to increased attendance and more visitor benefits.
5. Donor constituency potential was measured last year and several of the recommendations proposed have been implemented. Others are still in process of being studied for future implementation.

So what is next?

1. A special task force will be brought together during the next three months to encourage leadership awareness of the Minnesota Zoo's strong benefits and to recommend policy considerations in order to build a public/private partnership process to strengthen the Zoo. Dick Gray will chair this task force - Jim Hetland and Ed Kohn will provide input into material presented and goals requested.
2. The Foundation Board will consider taking formal steps to establish the basis for a "mini campaign" to be tested during the months of May and June, 1981. This involves updating basic data already in existence within the Foundation and putting a sharp pencil to the top prospect list of approximately 100 best prospects within our community. It is proposed that each Foundation Board Member will have an opportunity to help make a presentation to a corporate or Foundation executive or designated committee during that time. The purpose of the presentation will be two-fold: one to inform and two, to specifically ask for a commitment of support.
3. The "mini campaign" is predicated upon two things:
 - a. A positive response from the Legislature.
 - b. A positive response from the Task Force.

Expecting to get good indicators from both sectors, then the probable success of the mini-campaign will be much higher.

A lesser degree of success from these two segments places a higher need for the "mini campaign" but a lower probability of significant achievement.

4. The alternatives aren't necessarily very encouraging:
 - a. Delaying a major campaign until a higher degree of predictable success will be essential. Several community organizations have in the last few years launched major capital fund drives with poor timing and poor preparedness - the results have been disastrous. Recovery from these poorly timed and prepared campaigns has been slow for these organizations to reach a starting over point. The question of how to maintain the Foundation until the timing is right for a major campaign without entering into programs has not been talked to.
 - b. Without significant achievement currently and without significant commitment from the State to participate in the Zoo's long term building program, a short life ahead is predicted for the Zoo Foundation - unless a new approach is established for funding the Foundation's future operations. It is predictable at this time that the Minnesota Zoological Garden Foundation will deplete all of its current reserve for operating programs by July 31, 1981 - unless additional funding is secured. Future funding is predicated upon having both a currently successful track record as well as feasible programs for future operations.
 - c. Alternative development programs will need definition, support and budgeting too. These options have not yet been thoroughly considered.

Let me summarize briefly and succinctly the Zoo Foundation's present state of the art.

1. Securing major philanthropic gifts from potential community needs a strong and positive environment. The Zoo has it. The story needs to be told and retold. Community awareness of the many positive benefits is growing every day. Without this conviction, a less significant level of donor support will be obtained.

2. The Foundation has two major activities in process to build achievement in the next six months. The successful accomplishment of these two tasks will need your support.
3. The Foundation's existence (on present funding approaches) will need new financial commitments from external funding sources to underwrite programs beyond July, 1981. An untimely demise of the Foundation would bring adverse affects to the Zoo's image and adversely affect the potential support from the private sector.

II. The Six Year Plan - What Is It?

First, it is predicated upon a successful Six Month Plan and securing funding for the continuation of the Foundation's development program.

Second, the goal will be to seek establishment of a major capital campaign in 1982 and subsequent establishment of several related development programs in succeeding years. (annual giving program, deferred giving program, etc.) These are not new proposals - for a number of reasons they have either been temporarily rejected or delayed until "timing is better".

These goals are based upon the Zoo's written statement proposing a development program and capital budget request which was presented to the Governor and the Minnesota Commissioner of Finance on December 22, 1980. This proposal indicated a phasing of public and private contributions between 1981 and 1987 amounting to \$21,500,000.00. The proposed target for private requests amounts to approximately \$7 million.

The Zoo Foundation is willing and anxious to accept this long term funding challenge. It is an opportunity that can be met. The potential exists for even greater accomplishments. The Foundation Board consists of experienced people who have shared these skills during these tough formative years, and can draw upon their other associations and contacts in our community to do much more. Their belief is strong. Their idealism of what can be is still strong. Their commitment can be challenged with a joint effort to secure the tools necessary to build a successful private sector development program.

I urge you to continue seeking out members of the Foundation Board for reflections and assistance in developing your programs.

The Zoo Foundation looks forward to working with you each step of the way to achieve this goal. The Six Month Program and the Six Year Program both can become realities. Your leadership, your decisions, your actions do establish the base on which the Foundation can build.

RSV/dm

1/8/81

Office Memorandum

DEPARTMENT MINNESOTA ZOOTO : James Hetland, Chairman
Minnesota Zoological Board

DATE: October 28, 1981

FROM : Edward Kohn
General Director *EK*PHONE: 432-9010 x300SUBJECT: MZG/MZS OPERATING RELATIONSHIP

You have asked that I review the zoo's operating alternatives in the event of reciprocity contract termination and in the context of the overall relationship of the MZG and the MZS.

In so doing I suggest that contract renegotiation, though of significant practical import to the operations of both parties, is secondary in importance to another concern. The overriding issue is that of the respective roles of the zoo's support organizations and of the Zoo Board and the Zoological Garden.

Interorganizational Relationships

In a thoughtful 12-page section devoted to these relationships in his report of June, 1981, the Legislative Auditor (please see Attachment "A") comments, "One of the most confusing aspects of the zoological environment in Minnesota involves the question of purpose and responsibilities of the MZG and the State Zoological Board, the MZGF, and the MZS" and "Depending upon who you talk to, you will get various opinions as to whether it is best to continue the current organizational structure for zoological activities or to combine the Zoo, the Society and the Foundation into one or two separate entities." Although the report notes, "We do not intend to take a position on that question in this report", it expresses clear support for the process of review and remedy initiated by the Interboard Committee early this year.

The Zoo Board's February 12, 1981 "Recommendations for the Organization of the Minnesota Zoological Board" and the Legislative Auditor's previous report to Zoo Board (for the years ended June 30, 1975, 1976, and 1977) both have dealt as well with the issue of the tripartite assembly of boards and possible overlap of their functions. In addition, the three Boards in 1978 gave extensive consideration to funding a directed study on the subject of Society/Foundation merger on the basis that merger might advantageously incorporate the strengths of two support organizations into one. The resulting benefits of presenting a clearer image to the public would be notable. There is ample awareness of how unaware the media and Society annual members are of the organizational separateness of the Zoo and the Society, in contrast with both Boards' members clear sense of distinction between the two. The issue of role combination is not a new one and by speaking to it now, the Zoo Board would serve rather than expand an ongoing agenda of concern. The tendency for most three-body problems is to reassemble in one good pair bond and one isolate, or "odd man out." Merger may be a viable management alternative to that outcome.

1. Common Site. The Interboard Committee proposed that the Society and the Foundation combine office functions at one location, as one step in the process of possible future organizational consolidation. The zoo can provide a sound building on Johnny Cake Ridge Road with 1,600 square feet for use by our support organizations.

The space might be reviewed by the parties as an optional site for relocating all or most of their continuing functions. The disadvantage of separation from urban population centers should be at least partially offset by the advantages of closer support and interaction with the zoo they both serve. Competitive rental terms (required by the State) can be established. To take fullest advantage of the consequent closer physical association, the Boards might then consider initiating a deliberate study of the viability and need for organization merger of the Foundation and Society. (Perhaps the jointly managed Freshwater Biological Research Foundation and Society pose one model. There are others worth studying.)

2. Support Role Clarification. Since its incorporation in 1975 under the Minnesota Non-Profit Corporation Act, the Foundation has been directed and operated exclusively in a support function to the zoo. The Foundation has never deemed it appropriate to require that the Zoo Board apply to it and negotiate with it for the use of funds it has raised for the zoo. Though its views are sought, the Foundation awaits and then serves the Zoo Board's determined capital priorities. Nor have its articles of incorporation ever contemplated independent purposes.

The Society, on the other hand, when incorporated in 1961, included in its articles responsibility to establish and operate a zoo as well as "To encourage public interest in the science of zoology; to conduct places of recreation and education for the benefit, advantage and amusement of the public so that it may acquire a better understanding of the science of zoology and kindred subjects; to engage in research in, and to prepare, publish and disseminate information to the public concerning the science of zoology." (Article I.3.) In 1975 the Society Board authorized a change in articles replacing entirely the original purposes statement with the following, "To assist and support the Minnesota Zoological Garden in the accomplishment of its purposes whether through rendering financial assistance or performing services or otherwise, and to do all other acts and things incidental to the furtherance of the authorized objectives of said garden."

The point here is that the Society acts in part as though it remains governed by the original article of purposes. When mention is made by some of its Board members of the Society's interest in performing its own research and publishing its own findings independent of the zoo, it is not a support organization that is speaking but rather that of an independent organization with a mission of its own. A lot of the continuing confusion and uncertainty regarding respective responsibilities, I believe, rests on perception, by at least some, of the Society's purpose and role as a body not only independent of the zoo in origin and incorporation but in mission as well. Some of the recent misunderstandings on the appropriate process for fellowship funding, as well as the question of respective responsibilities for publication content and program coordination, may stem from a role perception that might not yet have made the full transition to the operating reality of the zoo today.

Reciprocity Agreement

The issue of termination of the reciprocity agreement carries with it a number of practical considerations.

In 1978, the Zoo Board waived contractually all costs to the Society for the latter's membership service of unlimited annual free entry into the zoo, in exchange for the receipt by the zoo of volunteer services at estimated value as great as that of the lost gate. Those volunteer services, being substantially available to the zoo independent of contract with the Society, provide no basis of fair return to the State for the value of goods (free entry) provided by the State. This inequity has been perceived ever more consistently over the past two years, necessitating renegotiation.

On January 22, 1981, the Minnesota Zoological Society was advised of the Minnesota Zoological Board's intention to seek renegotiation of the reciprocity agreement between the two. In the months since, members of the Minnesota Zoological Society Board and the Zoo Board have sought earnestly and in good faith, though without success, to define clearly the terms of a revised and acceptable balance of benefits to both parties as a basis for contract renewal.

In their searching for alternative modes of payment for members' free admission there has recurred one distinct difference between the positions of the two parties. Whatever the estimated dollars, the Society has proposed to pay only in amounts that are net over all other expenses in its accounts at the end of the accounting period. Since the Zoo Board cannot waive its responsibility to make sure that the State gets a fair return for its goods, it has had no choice but to propose looking over the Society's shoulder at its budget, fiscal operations and operating reserves thus conflicting with the Society's sense of independence and responsibility.

The clear alternative (practiced elsewhere) would be to seek payment for the goods up front. Portland's Metropolitan Service District and the Friends of the Portland Zoo recognized this in their agreement (please see Attachment "B") under which the Friends pay a set fee to the zoo for each membership sold. (A second feature of the Oregon contract is perhaps quite germane to another area of concern here: the distribution of donor income. In Portland, such funds are deposited to an escrow account to be cleared periodically for the zoo's capital needs by mutual agreement.)

At the North Carolina Zoo, as well, direct billing is made for society member entry. At the Cleveland Zoo a contract between its Society and Metro Parks has been based on direct pay at regular admission rates for the past two years. The use of such a method will likely become increasingly standard for public zoos subsidized through extended tax districts or jurisdictions.

Here, the Zoo Board's negotiators have not been granted recognition from the Society Board of the merits of such a direct pay approach, though it has been presented clearly several times. Indeed, it has been rejected outright. Were it to be applied here, the Zoo might propose the fee be based on group rates and an estimated two visits per year by a family size estimated at four members, perhaps adjusted for the direct net costs of other solicited services.

In the absence of an acceptable direct pay method, there appears to be no alternative to contract termination. In such an event, a number of practical concerns regarding operations and the timing of their change need be considered.

1. Annual Sale Transition Campaign. The current Society membership level of approximately 8,000 families and 1,000 individual memberships with a 70% renewal rate represents quite a working investment. To realize as fully as possible the benefits of this extensive investment would require a very deliberate strategy of conversion from Society sale to zoo sale of annual passes so that from the consumer's perspective there is scarcely a hiccup of concern. This will take months to carefully stage with sensitivity to public relations planning, lists management, continuing renewal management and more. Such a conversion can best be accomplished with the full cooperation of the Society Board and staff. There is no reason to assume that such cooperation cannot be achieved. If it is clearly in the best interests of the zoo to directly manage annual sales, then the people of good will who have the interests of the zoo at heart can find a basis to work together on the transition.

2. Current Fiscal Year Commitments. During the early stages of negotiation with the Society, the Zoo Board agreed to honor the Society's current fiscal year budget. The Society asked for such assurance in the late spring so that it could soundly commit

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to its membership renewal drive and so that its activities could begin their new fiscal year on June 1, 1981 with approved budget plans for the year. The Zoo Board gave such assurance and suggested that except for the Society's obligation of \$42,000 in grant monies to the zoo (reserved for that purpose by the Society as an end-of-year balance from the previous year), and except for assurance that the zoo would receive no less than 70% of the gross receipts from the sponsorship program, there would be no other anticipated impacts on the Society's current year budget. Reciprocity negotiations instead would impact primarily on the Society's next fiscal year budget beginning June 1, 1982.

There may thus be fair reason, in addition to sound management of a transition campaign, to defer until late spring 1982 the zoo's assuming full responsibility for annual sales. The intervening months would be needed to work out with the Department of Finance and with our legislative committees operating plans for distribution of annual sales proceeds and to do so hopefully in cooperation with the Society.

3. Mutual Work on Close-Out. Contract procedures for termination of the annual sales/reciprocity agreement call for the parties working together on close-out procedures to best assure the mutual good. Under such a process could come understandings on the availability to the zoo of portions of present fund balances as an operating source for the zoo's start-up management of annual sales and renewals. The Society has pointed out that its membership income is greatest in the spring. Consequently, as an alternative to some adjustment of its current fiscal year budget, dedication to the zoo of a portion of undedicated funds would be desirable to enable the zoo to conduct the sales program.

These comments are based on the assumption that the Society would choose to continue as a viable entity. Should the Society Board choose instead to dissolve its corporation then, under its articles, all of its assets following payment of all liabilities of the corporation would be distributed to the zoo.

Joint Activity Review

The following brief comments on joint activities assume Society continuation and, thus, partial service to the zoo in several areas. Should such service not be possible, then operating plans could be made ready promptly for full performance by the zoo of all programs.

1. Continuing Education. The Society has funded through an \$8,000 annual grant to the zoo our coordinator of continuing education through February, 1982. In addition, it schedules, promotes and administers the fees and professional payments for the courses. We propose to not offer spring classes in 1982 and to plan instead on a new program beginning in the summer season to be funded through zoo-administered class and summer sessions with fees collected directly by the zoo. Special classes are integral to the zoo's overall education program. Breaking out one cluster of them as a Society operation is not efficient and is a source for role confusion in the public mind.

We may welcome continued Society interest and grant support for future programs, with a discount option for annual members. Enrollment drives, however, would be broadened well beyond annual members.

Several new and more extensive class options would be explored. One major option that has proven very financially successful at other institutions such as the Bronx Zoo, Cincinnati Zoo, and Busch Gardens is summer camps for students. A 10-week long program, with repeat curriculums, could deal with 15 students per session. Running from 10:00 - 4:30 p.m. daily, the classes could be staffed by naturalists, volunteers,

interns, and temporary help as needed. The fees charged, approximately \$75-\$100 per student, could make the program entirely self-supporting.

A brochure could go out for fall/winter (September-February) paid for by summer monies with an accent on adults' and young children's classes. Included in fall/winter would be the special contract classes for the gifted and Breck Schools. Other options include film series, lectures and field trips for a fee.

By changing the format, class schedules would be produced at a lower cost and could be made available to a wide range of individuals through distribution at professional offices, organizations, on the zoo site, to school groups, 4-H groups, Scout troops, and Park and Recreation programs.

2. Publication. The Society's primary orientation in recent years has shifted to membership services. Its publication services have logically borne this emphasis. The Society staff has been exceptionally cooperative and professional in their effort to cast their membership service newsletter in a manner useful as well for the zoo's public needs. But there are practical limits to such accommodation and I believe, therefore, that the zoo should return directly to the task, unless at some point the Society should decide to reform its priorities to focus on public education and communication.

We would review options for direct production of a zoo periodical through contract advertising assistance and in cooperation with other public programs in the State, such as other public zoos, 4-H, Minnesota Naturalist Association, horticultural and waterfowl societies and education groups.

3. Volunteer Program. Support of the volunteer program is one of the Society's proudest achievements. We now directly manage all facets of the program except for initial recruitment and annual recognition. We do so in cooperation with the volunteer's own organization, ZooVAP. Though we believe we could take on recruitment and recognition services with additional part-time clerical support, I recommend that we continue to welcome those services from the Society should it wish to provide them.

4. Animal Sponsorship Program. In the first eight months of the sponsorship project, revenues gained by the Society have not matched the Society's expenses. If we add the cost of zoo services sought by the Society for the program's support the imbalance is greater. Comparable programs have proven to be profitable elsewhere but usually by on-site administration. Until one full year of the program has passed, it is premature to judge its viability. I recommend that we continue with the program through the Society until Spring 1982 and then, with the Society, thoroughly review performance and potential in addition to considering whether direct operation might reduce costs and increase net proceeds to a level adequate to justify continuation.

5. Donor Programs. I recommend that the Society and the Zoo Board study and adapt the Portland Metro method (see Attachment "B", Paragraph 7.4) for management of donor funds and gifts received by the Society on behalf of the zoo.

6. Annual Memberships. I have suggested earlier in this memo some of the time constraints and practicalities of the zoo's assuming annual sale responsibilities as well as the desirability of a thoroughly professional marketing transition.

For the purpose of illustrating how annual pass revenues earned directly by the zoo could be distributed several assumptions are made based on Society projections for FY 1982.

With 7,300 family, 1,500 individual, 250 supporting, and 250 donor passes at adjusted rates of respectively \$30.00, \$20.00, \$50.00, and \$100.00, total annual revenue would

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round to \$290,000.

With payment made quarterly to the General Fund for actual gate attendance at the group sales rate, \$100,000 of the annual revenue would be so directed.

On a preliminary basis we estimate need for a program budget of \$105,000 including approximately \$55,000 in salaries and \$50,000 in supplies and expenses (data processing, postage, special printing, poster and other expenses). On this basis, \$85,000 would remain net to the zoo gift fund.

Since payment would be made to the General Fund at group rate at the close of each quarter, all revenue could be deposited in our gift fund under current authority. However, in order to hire against the fund, special authorization would be needed from LAC or the Legislature. We could seek such authority in early 1982.

As a direct zoo operation all facets of our marketing and promotions services could effectively carry annual sales promotions including group sales, general admission marketing and on-site sales. For example, admissions operations could be expanded to explicitly give every visitor the option of applying the day's admission charge as a credit against annual pass purchase on the same day.

Again, the zoo's chances to sustain the high renewal rate achieved by the Society would rise with thorough cooperation of both parties.

EK:gd

Attachments

cc: Richard Slows, Assistant Attorney General (for review and comment)

STATE ZOOLOGICAL BOARD

SECTION I

RELATIONSHIPS AMONG ZOOLOGICAL ORGANIZATIONS

One of the most confusing aspects of the zoological environment in Minnesota involves the question of purpose and responsibilities of the following zoological organizations:

Minnesota Zoological Garden and State Zoological Board
Minnesota Zoological Garden Foundation
Minnesota Zoological Society

Each of the organizations has played an important role in the development and continuing operation of the state Zoo in Minnesota.

Following are brief descriptions of the structure, funding, and purpose of each of the organizations and a discussion of various problems encountered in their inter-relationships. Another zoological organization, Minnesota Zoo Ride, Inc., which also has had a significant effect on activities at the Minnesota Zoo, is discussed in the second section of this report dealing with the monorail.

Minnesota Zoological Garden (Zoo) and State Zoological Board (Zoo Board).

The Minnesota Zoological Garden is under the supervision and control of the State Zoological Board, a state agency created in 1969. As a state agency, it is subject to the ultimate control of the State Legislature. The Zoo Board is composed of 12 members appointed by the Governor, one of whom is a non-voting member from Dakota County. The Zoo Board appoints a director, who is responsible for organization and operation of the Zoo. The approved complement of the Zoo is 164 positions.

The Zoo receives funding for daily operations through legislative appropriations from the state General Fund. The original capital development funding for the Zoo was provided from general obligation bonds of the state. Laws of 1973, Chapter 207, Section 3, Subd. 6, authorized the sale of bonds totaling \$23,025,000 (plus an additional \$2,350,000 if equally matched by other than state appropriations) for construction of the Zoo.

The Zoo charges visitor admission fees which are set by the Zoo Board within limits established by the Legislature. Visitor fees, as well as any concession or gift store revenues, are deposited as nondedicated receipts in the General Fund. Fees for the monorail and international species inventory system are deposited as dedicated revenue to the Special Revenue Fund.

A summary of all receipts deposited with the State Treasurer during fiscal years 1978, 1979 and 1980 is included as Exhibit A to this report. Further analyses of various receipt types are included in other report sections. A summary of expenditures, including encumbrances, for the three years is included as Exhibit B.

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The following comparison shows the percentage of General Fund operating expenditures which were funded from revenue collections deposited to the General Fund by the Zoo:

General Fund	Year Ended June 30		
	1978	1979	1980
Revenue	\$ 678,250	\$2,385,533	\$2,204,224
Expenditures, Including Encumbrances	\$3,437,383	\$4,362,672	\$5,254,336
Portion of Operating Expen- ditures Recovered From Revenue Collections	20%	55%	42%

Minnesota Zoological Society (Society).

The Society is a nonprofit organization whose stated purpose is to provide public support to the Zoo through financial assistance and program services. The Society was incorporated in 1961, is governed by a 21 member Board of Directors, and currently operates with six full-time and two part-time employees.

The main source of funding for the Society is from their membership program. Persons who purchase annual memberships in the Society receive various publications in return, as well as free admission to the Zoo for the year. The current membership fees and estimated number of members are as follows:

Membership Level	Annual Fee	Approximate Number of Current Members
Individual	\$ 18.50	1,600
Family	28.50	6,300
Supporting - Family plus 4 guest passes	50.00	350
Donor - Family plus 6 guest passes	100.00	250
Total		<u>8,500</u>

During the year ended May 31, 1980, the Society collected approximately \$190,000 from membership fees.

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The Foundation was incorporated in 1975 and had as its initial objective, to solicit and collect the \$2,350,000 in construction matching funds. By 1978, pledges totaling \$2,350,000 were received from commitments made both to the Foundation and directly to the Zoo.

The Foundation does most of its soliciting and receives most donations from corporations in the Twin Cities area. In the four years ending June 30, 1980, the Foundation received contributions or commitments totaling \$1,418,430.

The majority of the donations received are restricted for Zoo capital improvements, in some instances for specific projects. The Foundation also receives limited unrestricted contributions and other revenue, such as interest income, which are used to pay their operating expenses. For the year ended June 30, 1980, the Foundation expended the following amounts:

<u>Program Area</u>	<u>Amount</u>
Management and General	\$ 41,955
Fund Raising	60,401
Contributions to Zoo:	
Capital Development	1,292,000
Educational Facility	130,000
Program Grants	14,873
Emergency Fund	4,959
Total	<u>\$1,544,188</u>

There are certain advantages to having three organizations involved in activities of the Zoo. For example, it allows a great many people who have an interest in zoological activities and a desire to promote and improve the Minnesota Zoo to work in these areas without being direct employees of the state. Also, there is a theory heard often that private individuals and businesses do not like to donate money to the state but instead would be willing to provide funding to a private foundation to work on behalf of a specific program such as the Zoo. As a part of this, the Zoo is probably able to operate various different programs or projects which normally would not be funded by the state, especially in a time of inflation and budget cutbacks.

However, there are also disadvantages to the current arrangements. Having three separate organizations with three separate governing boards, each with their own ideas on how best to promote zoological activities, could create the opportunity for chaos in attempting to efficiently operate and effectively manage the Zoo. Zoo staff are in the somewhat untenable position of not only having to satisfy the Zoo Board and the Legislature, but also having to work effectively with the staff and boards of the Society and the Foundation in order to properly operate the Zoo.

There also is a possibility of duplication or overlap of services. For instance, both the Society and the Zoo operate media promotional and advertising campaigns on behalf of the Zoo. Also, all three of

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To provide for compensation to the Zoo for the free admissions and other benefits granted the Society, the Zoo Board and the Society have entered into a reciprocity agreement. In accordance with the agreement, the Society is to compensate the Zoo for all visitors who use Society memberships or guest passes to enter the Zoo. Compensation currently is based upon the Zoo's established group admission rates. The Society does not directly pay the Zoo for these admissions, but instead, the total dollar value is used to reduce the accumulated credit which the Society receives for the volunteer activities program (Zoo VAP). Under the agreement, the Society receives a credit equal to an agreed upon hourly rate of pay for each hour of work performed by volunteers. The Society receives credit for all volunteer hours worked whether or not the volunteer is a Society member. During the year ended June 30, 1980 over 28,000 volunteer hours were worked at the Zoo.

The reciprocity agreement between the Society and the Zoo was to expire on May 31, 1981; however, a 60-day extension was granted. Representatives of the Boards of the two agencies are currently renegotiating the agreement. One of the options under consideration is to eliminate the offset of Society admissions against volunteer hours worked. Different methods of compensating the Zoo for free Society admissions are under consideration.

The Society operates various programs to promote the Zoo and inform citizens of Zoo activities. For the year ended May 31, 1980, the Society expended funds on the following programs:

<u>Program Area</u>	<u>Amount Expended</u>
Membership Activities	\$ 60,022
Membership Procurement	79,311
Volunteer Activities	5,363
General and Administrative Support	63,075
Direct Support to Zoo	18,975
Total	\$226,746

Minnesota Zoological Garden Foundation (Foundation).

The Foundation is an independent, nonprofit corporation established to develop a program within the private sector for financial support of the Zoo. The Foundation has a board of directors consisting of 35 members, 11 appointed by the Zoo Board and 24 selected from the general public by the Foundation Board itself. The Foundation currently has three full-time staff members.

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the organizations publish various informational and promotional brochures or newsletters. Having all of these functions under one organization could provide savings through better planning and coordination of services.

Finally, the current organizational arrangements do not subject all activities and programs related to the Zoo to the applicable state procedures and controls which are designed to assure accountability and management stewardship.

Depending upon who you talk to, you will get various opinions as to whether it is best to continue the current organizational structure for zoological activities or to combine the Zoo, the Society, and the Foundation into one or two separate entities. We do not intend to take a position on that question in this report. However, in this section we will address some of the problems with procedures and controls which we feel exist under the present organization.

A special committee composed of three members each from the Zoo, Society, and Foundation Boards, is reviewing the current relationships among the groups to determine if any changes in organization or procedures should be made in the future. We feel this is a positive step and hope the committee will address some of the questions raised in this report.

Current financing procedures between the three zoological organizations provide inadequate control over the expenditure of funds and incomplete financial information for decision making.

The Zoo receives various gifts and grants for operating and capital development purposes. A majority of this funding comes from the Society and the Foundation. The Zoo has statutory authority to accept either cash or in-kind gifts and grants.

In December 1979 and July 1980 the Society approved grants to the Zoo totaling \$106,400 for eight projects as described below:

<u>Project</u>	January 1, 1981	
	<u>Original Budget</u>	<u>Revised Budget</u>
Biotelemetry Computer Program	\$ 25,000	\$ 25,000
Animal Health Interns and Equipment	10,000	2,025
Silk-Screening	25,000	-0-
Zoo Lab Relocation and Equipment	5,000	4,999
Public Service Communication Equipment	8,400	8,396
Lectureships and Professional Development	15,000	15,000
Short-Term Seasonal Internships	10,000	4,698
Continuing Education	8,000	8,000
Balance to be Reprogrammed		38,282
Total	<u>\$106,400</u>	<u>\$106,400</u>

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Although the Society provides funding for the Zoo, they do not normally make a cash payment of the grant amount. Instead, the Society itself operates the various programs or purchases the appropriate equipment or supplies provided for in the grant agreement. The completed project (whether services or equipment) is then given to the Zoo.

Since April 1979, the Foundation has provided funding for a short-range development program at the Zoo. The individual projects within the program are determined by the Zoo Board with approval by the Foundation Board. Reallocation of funds between projects or inclusion of additional projects is approved by both groups. The following summary identifies the type of projects included in the program:

<u>Project</u>	March 1, 1981	
	<u>Original Budget</u>	<u>Revised Budget</u>
<u>Public Space</u>		
Conference Center	\$100,000	\$260,000
Winter Entry Redesign	30,000	61,110
Discovery Center	20,000	21,755
Plaza Retail Development	21,500	20,000
Other	<u>122,000</u>	<u>22,260</u>
Total	<u>\$293,500</u>	<u>\$385,125</u>
<u>Staff Space</u>		
Zookeeper, Scuba, Office	\$ 20,000	\$ 35,955
Public Safety, Communication	10,000	-0-
Other	<u>20,000</u>	<u>1,306</u>
Total	<u>\$ 50,000</u>	<u>\$ 37,261</u>
<u>Operational Modifications</u>		
Storeroom	\$120,000	\$118,000
Haybarn	-0-	57,777
Small Animal Management Facilities	50,000	50,000
Plastics Production Shop	30,000	-0-
Other	<u>65,000</u>	<u>3,500</u>
Total	<u>\$265,000</u>	<u>\$229,277</u>
<u>Exhibits</u>		
Bison/Wapiti/Musk Ox	\$325,000	\$477,088
Pheasantry	150,000	-0-
Tiger Partition	20,000	8,045
Tiger Maternity	-0-	23,000
Artificial Trees/Rockwork	-0-	66,384
Other	<u>18,000</u>	<u>77,640</u>
Total	<u>\$513,000</u>	<u>\$652,157</u>

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<u>Project</u>	March 1, 1981	
	<u>Original Budget</u>	<u>Revised Budget</u>
<u>Graphics</u>		
Master Graphics	\$ 50,000	\$ 96,000
Other	7,000	1,014
Total	<u>\$ 57,000</u>	<u>\$ 97,014</u>
<u>Equipment</u>		
Silkscreen Shop	\$ 25,000	-0-
Electric Carts	-0-	9,831
Picnic Tables	-0-	8,088
Other	10,400	21,381
Total	<u>\$ 35,400</u>	<u>\$ 39,300</u>
<u>Horticulture</u>		
Other	\$ 12,000	\$ -0-
<u>Animal Acquisition</u>		
Bison	\$ 4,000	\$ 7,500
Clouded Leopard	10,000	18,500
Tapir	10,000	14,495
Musk Ox	-0-	20,000
Other	6,000	21,597
Total	<u>\$ 30,000</u>	<u>\$ 82,092</u>
Grand Total	<u>\$1,255,900</u>	<u>\$1,522,226</u>

The procedures for operation of the Foundation grant program are somewhat different than the Society. The majority of grant funds are received in cash from the Foundation. When money is needed for current obligations under the program, the Zoo submits a request for an advance of funds. From April 1979 through February 1981, \$1,160,609 had been received by the Zoo in cash advances. These monies are deposited in the State Treasury in a Gift Fund appropriation account. Expenditures are made in accordance with appropriate state procedures and guidelines.

However, the total of all Foundation grant funds is not received through cash advances. Instead, when the Zoo does not want to process an expenditure through the state system, they send the invoice directly to the Foundation for payment. This procedure eliminates the established state controls over such areas as contracting and selection of vendors. The Foundation has not established any procedures to monitor these payments either. They do not require formal contracts with the vendors. Instead they pay whatever invoice the Zoo submits and deduct the amount from the next cash advance. The following amounts have been paid directly by the Foundation for the short-range development program from June 1979 through February 1981:

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<u>Goods/Service</u>	<u>Total Paid</u>
Graphic Design and Signage	\$ 97,172
Construction and Remodeling	28,760
Furnishings and Office Equipment	13,378
Netting, Trees and Plantings	9,932
Total	\$149,242

In addition to the short-range development program, the Foundation has also established an "emergency fund" for the Zoo. The fund is to be used for the procurement of supplies and equipment deemed by the Zoo Board to be of an emergency nature or not able to be purchased because of budgetary constraints. From July 1978 through February 1981, \$46,539 has been expended from the fund. Among the items purchased were a video camera costing \$32,018 (\$15,000 of which was paid from a contribution from the Society), public address system equipment, strollers, fencing, bleachers, typewriters, a currency verifier, resuscitators, and a microwave oven.

The payments from this fund are made directly by the Foundation also. They have not established any control procedures to monitor the fund except to require the Zoo to provide a justification of why the equipment is needed and the reasons it cannot be purchased through the operating budget and the state procurement system. All decisions regarding selection of vendors are made by the Zoo with the Foundation acting only as a paying agent.

Operating the various grant programs under the current procedures whereby the Society gives completed projects to the Zoo and the Foundation pays individual invoices upon request is advantageous to the Zoo. They do not have to become involved in the detailed administrative procedures necessary to complete a specific project. They also are given more flexibility in the selection of vendors and the determination of type of services to be provided.

However, operating in this way eliminates the purchasing, contractual, and accounting control features present when transactions are processed through the state system. It is the responsibility of the granting agencies to establish adequate procedures to assure accountability over the expenditure of funds. In addition, since there is no direct flow of cash between agencies, the gifts and grants are not recorded in the state's accounting or budget systems. As a result, the Legislature, which funds the Zoo's operating costs, is not given complete financial information on the total capital and operating expenses of the Zoo. This is particularly important with capital development costs, because although the state may not provide funding for the actual construction of new buildings or exhibits, the operating expenses which are paid from state appropriations may increase as a result of the construction.

RECOMMENDATIONS

1. The Zoo Board should develop a formal policy defining procedures for the acceptance of cash and in-kind gifts and grants. As a part of the policy, the Zoo Board should work with the Foundation and Society Boards to establish adequate control procedures over the expenditure of in-kind grant funds.
2. The Zoo Board should disallow the transmittal of invoices to the Foundation for payment where adequate procedures have not been established to assure proper accountability.
3. When preparing annual financial reports and biennial budget requests, the Zoo should include information on the type and amount of in-kind grants received.

The Zoo Board has not developed adequate procedures and controls over the use of funds raised by the Society through promotions made on behalf of the Zoo.

One of the primary purposes of the Society is to promote the Zoo to the general public. This is accomplished through various advertising campaigns as well as special promotional events. In some instances the promotional events are also intended to raise funds for Zoo activities. Prior to the Zoo's opening, the Society and Foundation sponsored horse shows and zoo walks to raise a portion of the matching funds required for Zoo construction.

In 1981 the Society, with the approval of the Zoo Board, began an animal sponsorship program. Under the program, persons are asked to donate a specified amount of money to sponsor the care of an animal for one year. The amounts varied, depending upon the type of animal and ranged from \$10 for many smaller animals to \$4,000 for the bottlenosed dolphin. In exchange for the donation, contributors will receive various information regarding their animal and the program and will have their name and the animal's name shown on a special display at the Zoo.

The Society developed various brochures and media advertising for the program and there was a kick-off promotion at the Zoo in March. The advertising did state that the program was sponsored by the Society rather than the Zoo, but did not identify that the Society is a separate organization not subject to state control.

All donations for the program go directly to the Society. At a March 1981 meeting of the Zoo Board, Society personnel stated that they hoped to collect approximately \$100,000 during the first year of the program. (As of April 1981, \$27,000 had been donated.) The Society has budgeted \$40,000 for administrative costs of the program which will be paid from the donation proceeds prior to any distribution to the Zoo. (The administrative costs are basically fixed costs regardless of the amount of donations.)

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The Zoo Board did not have any formal written agreement with the Society detailing how or when the Zoo would receive any funds from the program or what the money would be used for. The Zoo Board adopted some proposed financial guidelines for the program at its February 1981 meeting, but these were not formally accepted by the Society prior to implementation of the program. The guidelines did not address the issues of payment procedures, administrative costs, or allowable uses of the funds received. Society staff stated that it was their intention to make quarterly payments to the Zoo of the net revenue after deducting for administrative costs.

The promotional literature for the program is somewhat misleading in stating that individual contributors will be sponsoring the care of a specific animal for a year (a procedure under which it most likely would be impossible to function). Society staff said that the only restriction put on the funds given to the Zoo would be that they be used for general areas of animal care such as shelter, presentation, behavior enrichment, and exhibit development. These funds are to be over and above the amounts received from state appropriations for normal operating expenses.

Since the Society is an independent organization, the Zoo Board would not normally have the authority to tell them how to run their agency or programs. However, the Society regularly solicits funds on behalf of the Zoo. Outside parties may be confused by the structure of the various zoological organizations and could assume that donations to a program such as animal sponsorship are going directly to the Zoo to be used exclusively for animal care. The Board, therefore, has an obligation to ensure that all solicitations made on behalf of the Zoo are handled properly.

RECOMMENDATIONS

4. The Zoo Board should develop formal written procedures for the operation of any fund raising or solicitation program conducted on behalf of the Zoo by a non-state agency such as the Society.
5. The guidelines should be incorporated in a formal agreement between the Zoo Board and the Society, or other agency, which would include a definition of:
 - the purpose of the fund-raising program and how it is to be conducted;
 - the relative roles of the organizations involved and whether the Zoo will have to provide staffing, supplies or other services;
 - the estimated amount of administrative costs and whether they will be paid from proceeds of the fund-raising program or by existing resources of the Zoo or Society; and
 - the allowable uses of the revenue accruing to the Zoo from the program and how these uses relate to the normal operating budget of the Zoo.

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6. Promotional material should include a statement that fund-raising activities are being conducted by the Society or other agency, which is not subject to state control.

Current procedures do not provide adequate control over admission of Society members to the Zoo.

As stated earlier, the Society members receive free admissions to the Zoo as a part of their annual membership fee. From its opening in May 1978 through December 1980, approximately 78,000 adults and 55,000 children were admitted to the Zoo based upon Society memberships. At the established group rates, these admissions are valued at over \$220,000.

The justification for allowing free admission to Society members is that the Society provides valuable services for the Zoo in return. If this theory is accepted, it is important to verify that only Society members are granted free admission.

As Society members enter the Zoo, they are required to show only their membership card to admissions personnel at the entry gate. Since no additional form of identification is required, it would be possible for Society members to give others their membership cards to use to gain free Zoo admission.

Requiring a second form of identification is not an unusual procedure to assure proper usage of membership cards. Other area organizations have implemented this control feature.

RECOMMENDATION

7. Zoo admissions personnel should require a second form of identification when allowing visitors free access to the Zoo based upon a Society membership card.

Zoo employees have been given complimentary Society memberships in conflict with state rules and regulations.

For the last year, all permanent and seasonal employees of the Zoo have been given complimentary memberships in the Society by that organization. Depending upon the employee's marital status, they received either an individual (\$18.50 value) or family (\$28.50 value) membership. The complimentary memberships entitle the employees to publications of the Society as well as unlimited free access to the Zoo for all family members. The Society began giving the complimentary memberships following a determination by the Attorney General's staff that Zoo employees were not entitled to free admission as a part of their employment.

The rules of the Department of Employee Relations (formerly Department of Personnel) (2 MCAR §2.277) provide in part:

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"An employee shall not directly or indirectly receive or agree to receive any payment of expense, compensation, gift, reward, gratuity, favor, service or promise of future employment or other future benefit from any source except the state for any activity related to the duties of the employee unless otherwise provided by law."

In addition, Minn. Stat. Section 85A.03, Subd. 2, which relates to employment of staff at the Zoo, provides, in part:

"All other such persons employed shall be in the classified service of the state civil service with the same rights and privileges as other state officers and employees."

The gift of complimentary Society membership to Zoo staff is a benefit related to the duties of the employees which is not granted to other state officers and employees.

RECOMMENDATION

8. The Zoo Board should not allow the Society to give free memberships to Zoo employees.

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gate receipts, by statute, must be returned to the State General Fund. R. Slowes, Special Assistant Attorney General, confirmed that the proposed agreement seems to establish a sale of admission to the zoo. The closer the structure of the agreement gets to admission based payment, the more likely that all proceeds would be required to be deposited in the general fund.

J. Weaver asked if the negotiations had ever focused on the \$200,000 in certificates of deposit adding that, in view of the forthcoming budget cuts, those funds could be put to good use by the zoo. R. Arndt reported that the \$200,000 was unrestricted but was reserved as a working capital fund for the Society. Within their articles of incorporation the Society may do with the \$200,000 as they wish. M. Jacobson reported that a reserve was needed because most of the Society's revenues come in March through May; but expenses are constant throughout the year. S. Doyle, noting that 70% of the memberships are renewals, asked if the 9-month reserve could be reduced. M. Jacobson responded that the Society could try to develop some kind of declining scale of reserve.

R. Arndt, responding to H. Goldenberg, reported that the year end cash balance (May, 1981) was \$327,000 with \$60,000 restricted for direct support to the zoo. M. Jacobson said the current unrestricted fund balance was \$196,000 which must be obligated to purchase and pay for benefits to members. T. Hengesteg stated that membership benefits are recorded on financial statements as a liability; the fund balance is the total of assets minus liabilities. A cash balance is an asset account while a fund balance is an equity account.

Responding to H. Goldenberg's question on the Society's budget for the year ended May 31, 1981, M. Jacobson reported that Society revenue including membership and animal sponsorship receipts, totalled \$418,000 with expenses of \$398,000, leaving a net increase of \$19,000. Included in the expenses were \$269,000 for membership activities and education, \$35,000 for sponsorship program expenses; \$10,000 for the volunteer program and direct support to the zoo of \$29,700.

R. Arndt, referring to a worksheet distributed to the Board, noted that including an estimated \$300,000 in revenue for 1981, Society revenues and credits for the past three years, including volunteer hour credits, total \$997,000; with direct contributions (according to the Society's audited financial statements) of \$76,000. Expenses for membership procurement and general administration was \$420,000 or 42%. (Revenue does not include fees for education classes which is not within the scope of the audit.)

M. Jacobson reported that direct benefits to members costs the Society \$13. R. Arndt disagreed, noting that the Society costs, as given to him in May, were \$5.91 per member, leaving a \$27 profit from a family membership. R. Arndt noted that 1981 Society gate usage was \$116,000 as reported to members, the cost of which is only on paper.

T. Hengesteg noted that the duplication of expense for staff, rent, utilities and office equipment would be eliminated if the zoo were to assume the programs currently run by the Society. R. Arndt noted that E. Kohn projects that zoo staff could provide the same membership

benefits at significantly less than the Society's costs.

H. Goldenberg noted that the perception of most Society members is that the money goes to the zoo and it does not. M. Jacobson countered that many of the Society's programs are geared to zoo purposes and most of the Society's funds are used indirectly for the zoo.

H. Goldenberg commented that he thought the Society existed to benefit the zoo; however last winter, the zoo existed so that the Society could get trial memberships; only the Society benefited from that program. He added that he did not think it appropriate that the Society decides how the zoo may spend contributions from the Society.

M. Jacobson stated that he supports giving as much financial support to the zoo as the Society can afford without impairing its membership services. He added that the \$42,000 previously committed to the zoo by the Society would be forthcoming when the relationship normalizes. R. Arndt strenuously objected to such conditions being tied to the grant. M. Jacobson replied that he did not mean to say the money was being held as a lever, to which both T. Hengesteg and R. Arndt replied that the Society Board minutes reflect that that was the intent.

R. Arndt emphasized that the Zoo Board was only cancelling the reciprocity agreement and was not terminating the Society. H. Goldenberg asked what the relationship with the Society would be if reciprocity were not renewed. J. Weaver asked M. Jacobson if the intangible benefits to the zoo would continue without the contract. M. Jacobson replied that it is his hope that the Society continue as a support organization; however, if the Society proposal is rejected, it won't be easy. He added that there would be reactions to the rejection in some people's minds. T. Hengesteg noted that the Zoo Board has granted several extensions over the last six months while trying to negotiate a contract agreeable to both parties. The Society, not the Zoo Board, has rejected each contract.

S. Doyle emphasized that a business contract was being rejected; legal bonds with the Society continue. He added that he was concerned that there might be a carry-over attitude that will affect the relationship between the Society and the zoo.

M. Jacobson stated that a support society provides a benefit to the zoo that is not measured in dollars. He added that the Society could continue selling memberships and pay for its members admission to the zoo. He stressed that while the Society might be able to increase the level of cash contributions, they would be hard pressed to do a better job of publicizing.

H. Goldenberg expressed concern that the Society might continue to sell memberships providing free admission to the zoo. R. Arndt noted, and R. Slows agreed, that they could provide their members with admissions to the zoo and pay for them at the 20% group rate discount. However, R. Slows pointed out a one time annual admission could not be provided by the Society. H. Goldenberg stated that his concern was not so much with free admission to the zoo as it was that Society members believe their membership dollars go to the zoo.

R. Gort said that he would like to go on record encouraging the Society to continue to support the zoo, and expressed appreciation for the Society's past contributions. S. Doyle reiterated R. Gort's comments, and noted the Society's education programs. J. Weaver said the contract

involves money for memberships which include free admission to the zoo; it has nothing to do with the support organization role of the Society.

M. Jacobson stated that the Minnesota Zoo would be the first zoo which does not provide free admission to its Society's members. T. Hengesteg countered that the MZS was the only Society that attempts to direct how the zoo shall do research.

MOTION by R. Arndt, seconded by J. Weaver, that the Board's overall responsibilities are to (1) operate the zoo in a reasonable and prudent manner for the citizens of the State of Minnesota, (2) oversee and approve all activities which take place in the name of the zoo by any organization, (3) make the zoo accessible to all the citizens of the State of Minnesota and (4) encourage and maintain a broad base of support from the citizens and communities of the State; and considering that:

(1) The Society has provided a wealth of support and valued services to the Minnesota Zoo since its inception down to the present time. Without the Society, those early years would have been considerable more difficult. For this contribution, the Zoo is, and always will be, very grateful. In addition, the Zoo looks forward to continuing support from the Society in areas other than the reciprocity area.

(2) The Zoo has come of age as it has been operating for over three years and the initial relationship of the Society to the Zoo is no longer necessary.

(3) The June, 1981 Legislative Auditor's report raised certain questions regarding the Zoo/Society relationship in the following areas:

- (a) (a) The ambiguity and inefficiency associated with working with several independent boards
- (b) Duplicate media promotion
- (c) Duplicate advertising campaigns
- (d) Individual newsletters.
- (e) Inadequate direct control over special sponsorship programs.
- (f) Each organization has its own ideas how to best promote the Zoo. This could create inefficiencies in operating the Zoo.

(4) The Zoo Board believes that a potential exists for conflicting interests between the Zoo and the Society.

(5) The Zoo Board believes that all activities carried on by the Society on behalf of the Zoo should be performed only with the prior approval of the Zoo Board.

(6) The Zoo Board believes it needs a broad base of citizen and community support to prosper and function in an efficient manner.

(7) The Zoo believes that it can perform the annual membership drive, the volunteer program and the education program which was the significant part of the former reciprocity agreement with the Society in a more efficient manner, thus benefiting the people of the State of Minnesota.

Based on the above, and the financial facts attached to these minutes, the Minnesota Zoological Board will not renew the reciprocity agreement with the Minnesota Zoological Society and that between November 19, 1981 and March 31, 1982, the Board and/or its designated committee will work closely with the Society to carry out the provisions of Paragraph VIII, subparagraph "D" of the Reciprocity Agreement. Further, the Chairman of the Minnesota Zoological Board shall notify the Society in writing of this action.

MOTION CARRIED UNANIMOUSLY. Chairman Hetland, after the vote and noting his custom of not voting except to break a tie, asked that his opposition to the motion be recorded.

Chairman Hetland reiterated his appreciation of the Society's past contributions and noted that the motion just passed is a reflection of our concern that the relationship is changing as both organizations mature. He asked that M. Jacobson convey to the Society the Board's hope that the relationship may be maintained in areas other than reciprocity.

~~Chairman Hetland then designated R. Slowes and E. Kohn to join with him or his delegates in working with Karla Williams and Mark Jacobson to plan on meeting obligations under the contract. (After the meeting, the Chairman designated T. Hengesteg and J. Weaver as his delegates.)~~

Discussion on the appropriate release of the Board's decision to not renew the reciprocity agreement followed. It was agreed that the director should draft a simple statement for press release stressing that (1) the zoo will continue to honor unexpired Society membership cards for free admission, (2) the zoo will offer an annual pass program, which staff was directed to begin planning immediately, (3) the Zoo Board appreciates the Society's contributions in the past and thanks the Society for its role in contributing to the zoo's success, and (4) only the reciprocity agreement has not been renewed; the Zoo Board looks forward to the Society's continuing community support. The release will be reviewed by both R. Slowes and J. Hetland prior to release. Documentation and figures will not be released unless requested. The Board agreed that the release should stress that the Board did not feel that the State was getting quid pro quo; and thus the difficult management decision was made. The Board also recommended receiving the Society roster so that the zoo could communicate directly with Society members, assuring them of the zoo's continuing obligation to them. All inquiries regarding this action will be referred to R. Arndt.

R. Arndt reported that E. Kohn had received a letter from Fred Norton, Chairman of Government Operations Committee, stating that a constituent had written his committee asking that his "membership in the zoo" be extended 23 days because he could not visit during the strike. R. Gort stressed that the Zoological Society member be informed that his membership is in the Society, not the Zoo. E. Kohn offered to work out a practical offsetting adjustment with the citizen.

SIGNIFICANT FINANCIAL FACTS PERTAINING TO
THE SOCIETY/ZOO RELATIONSHIP

Society Revenues for the Year Ended May 31¹

1979	\$386,000
1980	\$311,000
1981	\$418,000
	<u>\$1,115,000²</u>

Society Cash Contributions to the Zoo for Years Ended May 31

1979	\$ 27,813
1980	\$ 18,975
1981	\$ 29,737
	<u>\$ 76,525</u>

Society Value of Zoo Support for 1981

Volunteer program	\$ 16,000
Education program ³	\$ 25,000

Society Value of Zoo Admissions for
1981 offset by volunteer services \$116,000⁴

Cost of Memberships to the Society for 1981 (per Society worksheet and exclusive of advertising, promotion and general administrative costs).

	<u>Cost</u>	<u>Membership Fee</u>
Family	\$ 5.91	\$32.50
Individual	\$ 5.91	\$21.50
Donor	\$ 5.91	\$50.00 to \$99.00
Supporting	\$25.91	\$100.00 and up

¹ Society has spent over \$406,000 on membership procurement and general and administrative expenses over the past three years.

² Revenue amounts include volunteer service hour credits totaling \$263,363.

³ Society keeps all Continuing Education course fees. The zoo houses the program and the Society pays out-of-pocket costs, including teacher costs. (The majority of the classes are taught by zoo employees on their own time.)

⁴ Approximately 1/2 of the volunteers are not members of the Society.

volunteers for the January class and is revising the curriculum for their training. E. Kohn confirmed for P. Davies that the volunteer coordinator is a full-time zoo employee.

T. Hengesteg reported that the Board representatives on the transition committee feel that until the membership roster is received, there is no work for the committee; she suggested that J. Hetland disband the committee or take over the task himself; Chairman Hetland asked that both J. Weaver and T. Hengesteg remain ready to assist in transition.

S. Doyle congratulated the Board and staff for their restraint during this time, and noting that he had friends on the Society staff, expressed regret that he felt the need to comment on the divisive comments and actions by the Society. He asked why, if the Society is a support group of the zoo and a friend of the zoo family, a press conference was scheduled by the Society after an agreement that no public issue would be made? Why, if the Society is a support group, did they explain Zoo Board's action to their members in a one-sided fashion and then neglect to say that there would be a follow-up program by the zoo, an regrettable omission? Why was it recommended by Society staff that the volunteer corps write to Board members, the Governor and legislators deploring Zoo Board's action? Why was the issue presented as a termination of a relationship rather than the termination of a business contract? Why were the volunteers told that they were now the only voice of the citizenry and that it was now their responsibility to act as a citizen's advocate group? Why, if the Society is a support group, has the Society not provided the membership roster when it is obvious it would help the zoo's program? S. Doyle concluded his remarks with a statement that the Society's actions have been disappointing and unfortunate, adding that it appears that the Society is only a support group when it works to their benefit.

R. Arndt reported that he had received several calls from former Board members who had been told that E. Kohn was responsible for this action and the general director has also taken abuse in the newspapers. R. Arndt emphasized that this was a Board action and not an action of the general director who had tried to facilitate the negotiations, not destroy them. R. Arndt added that E. Kohn deserves an apology.

S. Doyle stressed that both parties had been negotiating in good faith, but there is confusion in the public's mind about the relationship as pointed out in the Legislative Auditor's Report on the zoo. It is not generally understood that Zoo Board acts on behalf of all the taxpayers of the state, while the Society acts at the behest of its 9,200 members.

Minnesota Zoo Goer Membership Program

R. Arndt, noting that seven Board members were present at the committee meeting when the zoo's membership program outline was initially presented, advised that some changes had been made because it is important to make a distinction between a membership program and a fund-raising program, especially since the Foundation is preparing to launch its capital drive. He asked that the Board consider the imminent capital drive and the need for staff to coordinate closely with the Foundation.

D. Bender reported that the Minnesota Zoo Goer's Association will entail a division of labor among staff. The direct administration, cash control, renewal process, issuing of passes and all financial aspects will be

December 8/1

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R. Arndt reported that he had been invited to attend the Foundation Board meeting on December 2 to explain the Board's decision regarding reciprocity. At that time, M. Jacobson asked about the possibility of reopening up negotiations. R. Arndt then polled his committee to find out if there was interest in reconsidering the Board's decision and found none. R. Arndt then asked T. Hengesteg to report on the transition meeting.

T. Hengesteg reported that the transition committee, consisting of T. Hengesteg and J. Weaver from Zoo Board; M. Jacobson, R. Bonawitz, and D. Block from the Society Board; K. Williams, E. Kohn and R. Slows met on November 25. At that meeting, she reported that the zoo would begin a membership program and would assume the remaining aspects of the volunteer program and the speaker's bureau. The Society was asked to participate in the publication of a newsletter and to continue their education programming through the winter quarter. The Society requested a written letter that zoo facilities would be available for the winter education classes, which E. Kohn sent to M. Jacobson. The membership list was requested to enable the zoo to verify Society memberships at the gate. At that time the Society felt the zoo did not need the list and that in the absence of a membership card, the Society office should be called for confirmation of membership. Another meeting was planned, but later that weekend the Society held their press conference, the mails delivered the Society's moratorium notice to all of its members, and the transition process slowed down.

T. Hengesteg reported that she had contacted M. Jacobson on December 1 to ask for the membership list for use in the zoo's annual pass program. J. Hetland also sent a letter requesting the list by December 16. The list has not been transferred; the Society does not see a need to transfer a membership list, but they have offered to inform their members in their newsletter of the zoo's annual admissions program. J. Hetland reported that M. Jacobson had telephoned that same message to him also, including the offer to communicate with their membership if the zoo's annual plan was adopted by Zoo Board. T. Hengesteg reported that membership applications and inquiries have been held by the Society office since November 19; M. Jacobson was asked to forward those applications to the zoo which he agreed to do. Thus far, they have not been received. M. Jacobson advised that he had neglected to inform K. Williams of his agreement to forward the applications to the zoo.

R. Arndt advised that he had spoken with a former Zoo Board member who informed him that his application and check had been returned with a letter stating that the Society was not processing any memberships but there was no mention of the zoo's plans to sell memberships. M. Jacobson advised that the Society office has kept track of all applications returned to the sender which will be forwarded to the zoo. E. Kohn reported that although nothing had been received from the Society, we have a list of 100 names of people who have expressed interest in the new program directly to the Zoo.

Responding to J. Weaver, E. Kohn reported that the zoo is prepared to fully administer the volunteer program, effective January 1. As a practical matter, the daily planning and coordination with the volunteers continues as usual. D. Bender added that daily meetings with the volunteers have occurred to answer their concerns and he was unaware of anyone who has left the corps; staff is actively recruiting new

replied that the Society has recognized the volunteers in the past. The zoo must now assume budget responsibility for volunteer recruitment, recognition and supplies such as training manuals. E. Kohn noted that the proposed budget was an attempt to reflect feasible costs for the zoo's assuming the membership and volunteer programs.

MOTION by R. Arndt, seconded by J. Weaver, that the Minnesota Zoological Board approve the membership program as outlined with an annual budget of \$75,000; and authorize \$20,000 expenditure from the gift fund for start up funds, which funds shall be returned to the gift fund. MOTION CARRIED UNANIMOUSLY.

Minnesota Zoological Garden Foundation Report

R. Voigt reported that the Foundation Board members, having been informed of the plan, are supportive of the concept. Input received from Foundation Board members regarding membership categories has been shared with staff and incorporated into staff's proposal which Zoo Board has just approved. The Foundation is looking forward to working on this program and the mutual use of listings.

The Foundation Board meeting of December 2 reviewed the status of relationships and answered many questions for Foundation Board members. At that meeting, the Foundation Board also approved the beginning of the major capital drive in the first quarter of 1982. Beginning January 5, weekly meetings will be held to establish goals and review prospect lists. The presentation process will be practiced and should renew enthusiasm for the project. In addition to rating of prospects at these weekly sessions, additional volunteers will be recruited to reach the currently identified 500 prospects; 10% of which are to be lead gifts.

R. Voigt then asked each Zoo Board member to make their contributions to the drive to Foundation President, Stanley Nelson, along with their suggestions for major prospects and prospective volunteers to work on the campaign.

Minnesota Zoological Society Report

M. Jacobson, Society President, responded to comments made earlier in the meeting, stating that he also regretted that the matter between the Society and Zoo Board became a subject of public debate. He stated that due to the nature of the information released to the Pioneer Press reporter which implied misappropriation of funds, the Society felt compelled to respond with a news conference. That article, continued M. Jacobson, was a blow to a group of sincere, honest, hard-working Society Board members.

E. Kohn reported that the Society had been advised on November 20 of Zoo Board's decision to issue a press release which spoke to the business rationale and announced the zoo's intention to develop an annual plan. In response to the Society's request that the release be held until they had reviewed it and until they could inform their members, Zoo Board members were polled to see if there was any objection to holding the release in order to give the Society Executive Committee an opportunity to review it and perhaps make it a joint release. The release, which was hand delivered for the Society Executive Committee meeting on November 21, was explicit on the Board's intent to conduct

handled by Business Management Services. Y. Johnson will coordinate that part of the program while Public Programs involvement will be from the benefits standpoint, including the publications, informational services, coordination of member activities and special events, and advertising and marketing for the program, which will fit into the current marketing plans. S. Hoffman explained the 5 categories of membership in the program. She added that the companion pass, which provides admission for the cardholder and one guest, is expected to generate a lot of interest. The benefit package will provide unlimited admission, unlimited purchase of group sales 20% discount tickets for friends and guests, a 10% discount in the zoo gift stores, membership events including behind-the-scenes tours, and an information services package. Zoo staff will work closely with the Science Museum and the Institute of Arts in membership procurement. The program will be promoted on site in the gift store and in the admissions area. Media presentations can be tagged with information on membership and ads will be placed to inform the public of the availability of the zoo's plan. D. Bender distributed copies of the temporary stationery and passes which will be used to enable new members to use their memberships immediately.

T. Hengesteg asked about additional incentives for membership; S. Hoffman replied that the program may be embellished as it grows. E. Kohn noted that the program, as originally presented to the committee, included a \$500 donor category; however, the Foundation has requested that the largest category be \$100 and that all promotional material for the program stress the role of the Foundation and ask that donors of gifts above \$100 be advised of the Foundation's program for the zoo.

D. Bender reported that the program will be promoted as a good economic package; it fits well into the marketing theme of "For Every Season, There's a Reason." Several ideas are being considered for promotion: having Boy Scouts sell memberships; asking businesses to consider giving premiums to people buying memberships; and asking Dayton's to do a direct mail with their monthly billings.

J. Weaver asked about the proposed \$101,000 budget for the program and if the intention was to hire two additional staff people to run the program. S. Iserman reported that staffing needs might be reduced; he added that he felt it is possible that the program could cost about \$75,000. J. Weaver noted that with the possibility of \$109,000 return to the general fund to cover gate admissions, the program is projected to net about \$85,000 annually for the zoo's use. He asked about the possibility of the legislature allowing all proceeds to go directly to the zoo with no funds returned to the general fund. P. Davies explained that at the hearings, as staff was explaining how the accounts would be administered, P. Kahn had suggested that all money go to the zoo's gift fund. E. Kohn added that the chair had raised the question of the most efficient method of managing the funds. It was suggested, outside of the hearings, that a rider could be considered during the current session which would allow the zoo to deposit all proceeds into the gift fund with full reporting to the Legislature.

J. Hetland asked if there was a need for budget modifications for start-up costs. S. Iserman reported that \$20,000 in advance funding would be borrowed from the gift fund. P. Zollman asked why costs for the volunteer program were included in the program budget. D. Bender

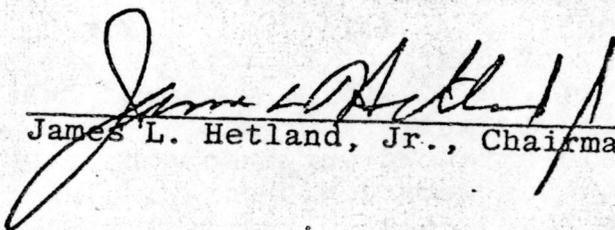
investment funds which do not come to the zoo. If Zoo Board finds it cannot do a better job, then contract management for the program can be sought again.

M. Jacobson, noting that the Minnesota Zoological Society was among the top ten societies in the country, stated that it takes a lot of time and money for membership procurement. He added that over the course of three years the \$76,000 cash contribution was supplemented by \$70,000 in direct support programs and \$60,000 more has been allocated for various projects. The contract which the Society presented in November was based upon the memo prepared by E. Kohn using the Portland agreement; M. Jacobson was surprised when Zoo Board said not only that the contract was unacceptable, but that there would be no more negotiations.

J. Weaver suggested an end to the discussion of a past action of the Board. Chairman Hetland thanked M. Jacobson for his report and reiterated the Board's appreciation for all the Society's support.

T. Hengesteg, saying that she felt grief over the situation, suggested that the chairman write a letter to M. Jacobson requesting the membership roster, since he had said that the Board would receive it. Chairman Hetland commented that the difficulty in this situation is that once an issue gets onto the public forum, perspective is lost and is difficult to restore. He added that the Society has served the zoo well. Because the programs and times have changed does not mean that their past contributions are not appreciated. S. Doyle and J. Weaver agreed with the Chairman's comments.

~~There being no further business,~~ the meeting adjourned at 5:20 p.m. with an invitation to all present to view the new sloth bear cubs.


James L. Hetland, Jr., Chairman

Richard Arndt, Vice Chairman

an annual program yet the letter which was prepared subsequent to the Society's review of that release, did not mention it. M. Jacobson responded that the executive committee felt they could not coordinate with a press release which stated that the Zoo Board had made a determination that the zoo would assume some of the Society's functions because they felt they could run the programs more efficiently. E. Kohn stated that this was the first time he had been informed of the executive committee reaction.

T. Hengesteg asked why the transition committee had not been informed that a letter was going out to Society members at their meeting on November 25, to which M. Jacobson said that the letter went out the day the meeting occurred. The letter informed the membership that a continuing role with Zoo Board was being sought; the Society did not have details on the zoo's annual admissions program at the time the letter was mailed. He added that now that the zoo has an approved program for membership, the Board would receive the list.

S. Doyle asked M. Jacobson who he thought had gone to the press originally. M. Jacobson responded that R. Arndt and P. Davies were quoted in the November 28 article. He added that E. Kohn had telephoned him to inform him that a reporter had called for information on the contract termination and intended to run a story the next day. M. Jacobson related that E. Kohn had attempted to provide the reporter a more positive perception of the Board action; the reporter did call the Society staff and Board members and some quotes were used; however, the article had some inferences and a great deal of financial information from a working document that was subject to revision. J. Weaver stated that the numbers were the same in all revisions, to which M. Jacobson replied that the numbers were misleading since they included \$250,000 in volunteer-hour credit that was not cash received. R. Arndt stated that further debate was pointless since the Board's decision was not based on that fact sheet. The decision was based on three negotiation sessions with the Society and three different proposals. Because of philosophical differences, it was difficult to achieve a common understanding of contract needs; however Zoo Board informed the Society in August of the points they wanted in the contract, along with a contract extension to a final presentation in October. In October the contract was again extended until November. M. Jacobson disagreed that the philosophies were different, adding that Zoo Board has felt that the Society Board does not respect the Zoo Board's desire to control the zoo. The Society Board does not see the need to have total independence from Zoo Board. The key issue, continued M. Jacobson, was not financial, but control of programs and operations that the Society has been responsible for. The Society has asked for input from Zoo Board as to how the Society can best serve the zoo. T. Hengesteg asked why, when the Society was given guidelines for a contract which explicitly expressed our requests, a letter was sent to Zoo Board taking strong exception to its manner as being inappropriate to the Society's self-image. She noted that the guidelines given expressed exactly what the Board wanted. M. Jacobson reported that in the process of negotiations, the two parties give and take; the Society was given a set of guidelines which were never out-of-hand rejected. The Society made counter offers.

J. Weaver, noting that M. Jacobson was relatively new to the negotiation stated that the Society's ability to provide free admission to the zoo was its big draw. Zoo Board feels it can be done in-house more efficiently and with less overhead. The Society has \$400,000 in

MZ Coer

January 26, 1982

Mr. Gary R. Schoener
2608 Pleasant Avenue South
Minneapolis, Minnesota 55408

Dear Mr. Schoener:

Your letter of January 22 to the Membership Division of the Minnesota Zoo Goer Association has been referred to me for response.

I can appreciate your concern over an appearance of casualness in our communication with you over the new zoo plan. To the contrary, the Zoo Board and I and my staff's commitment is total to a sound continuing annual membership program. If there is one fault of which I am certain, it was in expecting a responsible transition in annual plan management between the Society and the Zoo Board.

The Zoo Board is a citizen advisory board, appointed by the Governor and charged with the responsibility for operating the zoo in a reasonable and prudent manner for the citizens of Minnesota, including making the zoo as accessible as possible to all Minnesotans while encouraging and maintaining a broad base of support from citizens and communities of the State.

I believe the Zoo Board's decision to not renew the reciprocity agreement with the Minnesota Zoological Society, after many months of earnest joint negotiations, was a decision without sound alternative. Since the zoo is supported by tax dollars, the unusual contract which provided the Society cash credit for hours worked by volunteers up to the full cost of admission for its members, was considered by advisors to be increasingly untenable.

We believe that through effective direct management of our annual members' program we may demonstrate that the cost of remote contract administration of such a vital program is inadvisable on any terms. When such terms fundamentally reverse the direction of the support relationship, with a substantial outflow of resources, then I believe the only responsible course was that taken by the Zoo Board.

The Zoo Board has refused consistently to make a public issue of the Society relationship problem, believing that public debate on an issue such as this only embitters people, and also believing that the general public will remain supportive of the Minnesota Zoo as long as we continue to offer quality programs openly and with equity. Your letter points out one shortcoming of this "low profile" approach.



Once Society cooperation, which we continue to request, is gained and its membership roster is made available to the zoo, the zoo may quietly and with thoroughness explain to these longtime zoo supporters the zoo's new annual program and the basis for the change. Aggressive defense of the Board's decision, after thorough consideration, does not seem appropriate.

I hope we may assist you in regaining a basis for support of the Minnesota Zoo. We respect and need the continued loyal involvement of every supporter and will keep working earnestly to deserve it and to retain it.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ed Kohn".

Edward Kohn
General Director

EK:gd

February 21, 1982

Superseded

Dear Minnesota Zoological Society Member:

I welcome the Society's provision now of mailing privileges so that the zoo may communicate directly with you about our commitment to you and our need for the continuing loyal involvement of each of you. Media coverage, sought or unsought, is not an adequate means to deal with your needs to understand the basis of recent actions. In the service of such understanding I would like to share with you a perspective on the organization of the zoo.

The Minnesota Zoo is the direct responsibility of the Minnesota Zoological Board, a Governor appointed, legislatively confirmed, citizens board. In addition, the zoo reports directly to the Legislature and to the Governor. The zoo is further unique in the zoo world in having had certain of its program responsibilities carried by two additional corporately independent citizen boards -- those of the Society and of our fund-raising organization, the MZG Foundation. The Foundation's role is to foster the private sector/public sector bond that is so vital to the success of the zoo venture.

The complexity of the interrelationships among the zoo's unusual number of boards and reporting responsibilities has long been recognized. One view, not quite detached, is that there may simply have been one board too many for the most effective and serviceable management of the zoo's programs. This observation in no way reflects on the spirited contributions of the Society's hard working board members these past years, including the initial sponsorship and launching of our volunteer program and the growth, particularly since the zoo opened, of the zoo's annual membership program. The Zoo Board and staff would welcome the continuing contribution of these dedicated zoo workers. There is room on the team and more than enough work to go around.

But the primary purpose of this letter is to focus on YOU -- each member. The benefits you have purchased from the Society will continue to be honored fully through the term of your current membership. We invite you then to come directly on board the zoo's annual plan. The goal of our new annual plan, the Minnesota Zoo Coer Association, is to bring your membership and association home to the zoo so your participation can be even closer than in the past, and our services to you may be administered daily and directly, not through a contract with an off-site, independent organization, but as a built-in feature of the zoo with the full commitment of our entire program, staff and volunteer corps. We simply can give more to one another directly, than indirectly.

The economics underlying the non-renewal of the Society/Zoo reciprocity contract, of course, had a significant bearing on bringing the annual membership program home to the zoo now. The continuing net outflow of approximately \$200,000 each year in revenue to the Society as a contract agency could simply not be justified, particularly in these tough times of budget cutbacks, despite the good value of the Society's indirect services. The Zoo Board's responsibility dictated that it face these realities and seek substantially different terms. I witnessed a



solid effort over many months by members of both Boards to find financially adequate terms that in the Society Board's minds would not compromise their separateness and independence. Such terms were not found, if indeed there exist any that could have enabled simplifying the organizational diversity without eclipsing the identity and responsibility of any party.

We have enclosed a fact sheet on the benefits of the Minnesota Zoo Goer plan along with an application for use when your Society membership expires. If you have further questions about Zoo Goer members' benefits, please call us at the zoo (432-9010) and ask for the Zoo Goer Membership Coordinator.

As you know, our programs continue to blossom at the zoo. We are designing activities for you for every season. I invite each one of you to remain a part of the marvelous growing venture that is the Minnesota Zoo. Bring your friends and loved ones with you, and, together, let us keep building a zoological experience to cherish.

Sincerely,

Edward Kohn
General Director

EK:gd

Enclosures

MEMO

TO: Bernie Klein

FROM: Peter Jordan

SUBJECT: A support group for the Zoo

DATE 2/4/89

Thanks for this opportunity to address the Executive Committee about a possible citizens' support group for the Zoo. I hope our discussion can provide a better understanding about what's at stake here, and maybe lead to converting an old loss into a new gain.

In General:

What are the advantages of having a semi-independent citizens' support group tied closely to a zoo and to its goals? Such groups, often called "zoological societies" or "friends of the zoo," exist at virtually all zoos. They appear to be invaluable in providing a direct link between the zoo and a sector of the community that is eager and often very capable of making vital contributions, many of which staff is neither funded for nor supplied with the skills or connections to carry out.

Zoo support groups come in a variety of forms. In general, they are self governing with a financial structure and agenda of their own; they relate to their zoo through a mutually beneficial contractual agreement; and they provide a diversity of services to their zoo, both on the inside and outside-- from fund raising and logistical help to public relations and education. In some cases, of course, the group also owns or controls the zoo; but in many others, where the zoo is government owned, the citizens' group still plays a vital role. In general, a support group offers a rallying point around which any citizen with a special interest in zoos, or zoological education, and/or animal conservation can participate in meaningful action programs. This of course includes fund raising and personal giving.

Why at the Minnesota Zoo?

Here are what I see as probable benefits from a semi-independent, citizens' support group:

- 1) Public Relations: A Minnesota "zoo and conservation club" would serve as a voice within the community that speaks for the Zoo. This body, which I expect should soon number in the thousands and eventually in the tens-of-thousands, would generate public backing for us apart from whatever the state, our staff, and our board can do. Its existence would be the evidence needed to show foundations and the legislature that we have strong grass-roots support. It would serve as one arm of our lobbying effort before the Legislature; the need for this was, I believe, pointed out by the fund-raising consultants we recently heard from.

- 2) Fund Raising: A support group could take on, i.e. be assigned, certain areas of fund raising apart from what the board and staff are pursuing. For one, it could be soliciting the public at large for small donations, leaving for our efforts the foundations and other major donors. Part of the contract between us and our support group would be a clear definition of fund-raising programs so as to avoid overlap while maximizing coverage. There is an immense public out there that can and should be reached through new approaches. The board and staff are unlikely to get around to all of these for a long time because of the demands of what we are currently into.
- 3) Shared Work: An enlightened agreement between a support group and the Board should lead to outside personnel making valuable additions to zoo programs at no added cost, as well as providing significant savings for ongoing programs. The "club" could be led carefully by our staff into taking over specific functions, while quality control remained with us. Present volunteers would be encouraged to merge into the more interactive "club;" and new volunteers would doubtlessly be easier to recruit through the larger, wider-reaching mechanics of an out-reach organization. It is reasonable, based on experiences at other zoos, that even as the volunteer program increased, our cost of administering it would decrease, because coordination could, with time and demonstrated competence, be gradually shifted to volunteers. There exists in Minnesota a wealth of expertise in such areas as natural-history education and interpretation, animal care, and conservation activism. There is an even greater army of folks willing to contribute many hours of hard work, just to be around interesting animals. We need to enlist these human resources to a much greater extent than is possible with our current structure. Also, generating a lot more citizen involvement in operations should certainly improve the interactiveness of the Zoo-- something that we have committed ourselves to but have not yet make much progress on.
- 4) Special Functions: Among tasks that might be largely carried out by a citizens' group, with of course board and staff oversight, are some aspects of conservation, outreach education, visitor satisfaction and interest, and specific fund-raising and zoo trips from all around the state. Just on the conservation issue, there are thousands of Minnesotans eager to get involved in conservation-related activities, particularly related to animals. Our citizens' group would be in a pivotal position to mobilize this enthusiasm for the benefit of both wildlife conservation and our Zoo. This in turn could raise the Zoo to a position of major prominence in conservation through its citizens' supporters, and this would tie in naturally with the professional conservation programs now in place at the Zoo.

While Board and staff agree on the value of such activities, we simply cannot do it all-- nor it is sound management that we try to do it all. Rather, we should facilitate and direct those citizens who are willing and able to contribute; in this manner we maximize our efforts towards conservation while greatly raising the stature and future well-being of our Zoo. Today, we lack the infra-structure for harnessing the tremendous public interest in zoos and conservation.

- 5) According to the evaluation from our recent fund-raising consultant, a public patching-up of past differences with the Minnesota Zoological Society would improve our image. Our consultant found that for some potential donors and some legislators, the Zoo Board appears to be less than a good

manager, because of this unsettled dispute-- including failure to free up a sum of contributed money that was raised for zoo projects but has just been gathering dust.

Present Circumstances:

A major roadblock to moving ahead-- or even discussing the possibilities of a support group-- stems from past troubles with the Minnesota Zoological Society. That citizens' group played a key role in the creation of the Minnesota Zoo. Then it fell into conflict with the original MZG board. Our board can either inherit the hard feelings and suspicions that linger from that mess, or we can view it as an unfortunate past error that we are smart enough to prevent from recurring. The fact is that throughout the zoo world support groups pay off. Support groups make zoos stronger, richer, and better contributors to critical outreach efforts such as education and conservation.

It is also worth considering that, if we had not inherited the Society fiasco, we might already have started a citizens' support group for the MZG. This in fact was behind the Zoo Goers. That group, however, has not been given a life of its own; it really is no more than a discount club. An organization that does not have its own governance nor a means for member involvement is not going to assume responsibility or offer services that are not already in place. The price for major volunteer inputs, including new programs of fund raising and outreach, is to give the group in question a voice in decision making as well as a clear means for getting credit for its accomplishments.

We could ignore today's vestige of the old Society, and try to start a citizens' group from scratch. I would recommend against this for several reasons. Persons who had been Society members might take our bypassing the old society as an affront to their entire effort from starting the Zoo to raising money for it, leaving a bad taste among the very persons who ought to be joining our new organization. Then there is the money: If we ignore it, doesn't that suggest we are too stubborn or too inept to pick up what is rightfully ours, while at the same time asking others for new money? And, of course, the Society does have lists of present and past members who constitute a major core of interested persons.

Recommendations:

1. We should enter into objective and positive negotiations with the old Society in pursuit of the following:
 - a) The old Society would be disbanded, but from its core a new group with a new charter and a new name would be formed. The contributed money would go towards one of our current high-priority exhibits
 - b) A new charter would be written in which a defined relationship is clearly laid out, being wholly subject to our approval-- i.e. we would have no one to blame if future actions of the new group did not conform to what we believe is in our best interests.

- c) Governance of the new group would involve some sort of over-lapping jurisdiction between its board and us.
 - d) The new group would start off with the current membership, and the Zoo Goers would be expeditiously folded into our new organization with no loss of revenue to the Zoo. Volunteers would be urged to join and take a lead role in the new group.
2. If, after serious efforts, an agreement could not be reached with the Society, then we should move to form a support group totally independent of the Society. Such a course, I hope, will not be necessary, because it would suffer from the same shortcomings that would result if we started out by ignoring the Society (see above).

In Summary:

Our Board has an opportunity to add a major and critical dimension that can greatly advance the Zoo and its goals. We can agonize over past mistakes and take a conservative course to avoid feared problems. We can spend years imagining scenarios of how an active support group might compete with or hinder zoo programs. Or we can boldly explore the addition of a citizens' support group. This is a format proven time and again to be invaluable at other zoos. And, at least on paper, it looks as though it can bring unprecedented gains for our Zoo.

January 13, 1986

MINUTES

Of a meeting of the Board of Directors of the Minnesota Zoological Garden Foundation, held at 9:30 a.m., on Monday, December 23, 1985, in the Board Room of The Saint Paul Foundation, 1120 Norwest Center, Saint Paul, Minnesota.

Present were:

Voting Board Members: Malcolm W. McDonald, President
Hazel Reinhardt, Vice President
Firmin Alexander
Anthony Andersen, by proxy
Thomas M. Crosby, Sr.
Donald Dayton, by proxy
Patricia Davies
Connie Deland
Robert M. Engels
D. Stephen Farley, by proxy
Richard G. Gray, Sr.
Kathleen Gretsch, by proxy
James Hetland, by proxy
Joseph T. O'Neill, by proxy
Gordon Rosenmeier, by proxy
Dr. U. S. Seal
John E. Tilton
Harold S. Webster

Ex Officio Board Member: Stephen A. Iserman, Director,
Minnesota Zoological Garden

Others: Paul A. Verret, Secretary-Treasurer
Lawrence A. Wilford, Counsel

Mr. McDonald presided and Mr. Verret acted as Secretary.

ELECTION OF DIRECTORS

The following resolution was adopted:

RESOLVED that the following persons are elected Directors of the Minnesota Zoological Garden Foundation to first terms of office for periods of time indicated and until their successors are elected and qualified:

<u>NAME</u>	<u>TERM</u>	<u>PERIOD OF ELECTED TERM</u>	<u>DATE TERM EXPIRES</u>
Thomas M. Crosby, Sr.	First	3 Years	11/88
Donald Dayton	First	3 Years	11/88
Robert H. Engels	First	3 Years	11/88
Reuel D. Harmon	First	3 Years	11/88
Hazel Reinhardt	First	3 Years	11/88
Dr. U. S. Seal	First	3 Years	11/88
Pat Davies	First	1 Year	11/86
James L. Hetland	First	2 Years	11/87
John Tilton	First	2 Years	11/87

BE IT FURTHER RESOLVED that the following persons are elected to second terms of office for the periods of time indicated and until their successors are elected and qualified:

<u>NAME</u>	<u>TERM</u>	<u>PERIOD OF ELECTED TERM</u>	<u>DATE TERM EXPIRES</u>
Anthony L. Andersen	Second	3 Years	11/86
D. Stephen Farley	Second	3 Years	11/86
Margee Kinney	Second	3 Years	11/86
Wayne Peterson	Second	3 Years	11/86
Chy Morrison	Second	3 Years	11/87
Harold S. Webster	Second	3 Years	11/87

IDENTIFICATION OF DIRECTORS: Elected and Appointed

Elected Members

The following resolution was adopted:

RESOLVED that with the election of Board Members at this meeting, identification is hereby made of the currently qualified elected Members of the Board of Directors of the Minnesota Zoological Garden Foundation, the term of office they currently are holding and the date of expiration of their respective terms of office as follows:

<u>NAME</u>	<u>TERM</u>	<u>PERIOD OF ELECTED TERM</u>	<u>DATE TERM EXPIRES</u>
Thomas M. Crosby, Sr.	First	3 Years	11/88
Donald Dayton	First	3 Years	11/88
Robert H. Engels	First	3 Years	11/88
Reuel D. Harmon	First	3 Years	11/88
Hazel Reinhardt	First	3 Years	11/88
Dr. U. S. Seal	First	3 Years	11/88
Pat Davies	First	1 Year	11/86
James L. Hetland	First	2 Years	11/87
John Tilton	First	2 Years	11/87

<u>NAME</u>	<u>TERM</u>	<u>PERIOD OF ELECTED TERM</u>	<u>DATE TERM EXPIRES</u>
Anthony L. Andersen	Second	3 Years	11/86
D. Stephen Farley	Second	3 Years	11/86
Margee Kinney	Second	3 Years	11/86
Wayne Peterson	Second	3 Years	11/86
Chy Morrison	Second	3 Years	11/87
Harold S. Webster	Second	3 Years	11/87

BE IT FURTHER RESOLVED that identification is hereby made of the appointed Members of the Board of Directors of the Minnesota Zoological Garden Foundation and the date of expiration of their respective terms of office:

<u>NAME</u>	<u>YEAR TERM EXPIRES</u>
Firmin Alexander	11/86
Connie Deland	11/86
Richard G. Gray	11/86
Kathleen Gretsck	11/86
Malcolm W. McDonald	11/86
Joseph T. O'Neill	11/86
Gordon Rosenmeier	11/86

ELECTION OF OFFICERS

The following resolution was adopted:

RESOLVED that the following are elected Officers of the Minnesota Zoological Garden Foundation for fiscal year 1985-86 and until their successors are elected and qualified:

President	Malcolm W. McDonald
Vice President	Hazel Reinhardt
Secretary-Treasurer	Paul A. Verret

MINUTES OF OCTOBER 4, 1984 MEETING

The Minutes of the October 4, 1984 meeting of the Directors of the Minnesota Zoological Garden Foundation were reviewed and, with one correction, accepted.

AGENDA

For the Annual Meeting of the Members of the Board of Directors of the Minnesota Zoological Garden Foundation to be held on Monday, December 23, 1985, at 9:30 a.m., in the Board Room of The Saint Paul Foundation, Saint Paul, Minnesota.

ELECTION OF DIRECTORS

It is recommended that the following resolution be adopted:

RESOLVED that the following persons are elected Directors of the Minnesota Zoological Garden Foundation for a first term of office and for the period of time indicated and until their successors are elected and qualified:

<u>NAME</u>	<u>TERM</u>	<u>PERIOD OF ELECTED TERM</u>	<u>DATE TERM EXPIRES</u>
Thomas M. Crosby, Sr.	First	3 Years	11/88
Donald Dayton	First	3 Years	11/88
Robert H. Engels	First	3 Years	11/88
Reuel D. Harmon	First	3 Years	11/88
Hazel Reinhardt	First	3 Years	11/88
Dr. U. S. Seal	First	3 Years	11/88
James Weaver Pat Davies	First	1 Year	11/86
James L. Hetland	First	2 Years	11/87
John Tilton	First	2 Years	11/87

BE IT FURTHER RESOLVED that the following persons are elected to a second term of office for the period of time indicated and until their successors are elected and qualified:

<u>NAME</u>	<u>TERM</u>	<u>PERIOD OF ELECTED TERM</u>	<u>DATE TERM EXPIRES</u>
Anthony L. Anderson	Second	3 Years	11/86
D. Stephen Farley	Second	3 Years	11/86
Margee Kinney	Second	3 Years	11/86
Wayne Peterson	Second	3 Years	11/86
Chy Morrison	Second	3 Years	11/87
Harold S. Webster	Second	3 Years	11/87

IDENTIFICATION OF MEMBERS

It is recommended that the following resolution be adopted:

RESOLVED that with this election, identification is hereby made of the elected Members of the Board of Directors of the Minnesota Zoological Garden Foundation, their respective terms of office and the date of expiration of their current terms of office:

<u>NAME</u>	<u>TERM</u>	<u>ELECTED TERM</u>	<u>EXPIRES</u>
Thomas M. Crosby, Sr.	First	3 Years	11/88
Donald Dayton	First	3 Years	11/88
Robert H. Engels	First	3 Years	11/88
Reuel D. Harmon	First	3 Years	11/88
Hazel Reinhardt	First	3 Years	11/88
Dr. U. S. Seal	First	3 Years	11/88
James Weaver Pat Davies	First	1 Year	11/86
James L. Hetland	First	2 Years	11/87
John Tilton	First	2 Years	11/87
Anthony L. Anderson	Second	3 Years	11/86
D. Stephen Farley	Second	3 Years	11/86
Margee Kinney	Second	3 Years	11/86
Wayne Peterson	Second	3 Years	11/86
Chy Morrison	Second	3 Years	11/87
Harold S. Webster	Second	3 Years	11/87

RATIFICATION OF APPOINTED DIRECTORS

RESOLVED that the following list of appointed Members of the Board of Directors of the Minnesota Zoological Garden Foundation is ratified and confirmed:

<u>NAME</u>	<u>YEAR TERM</u> <u>EXPIRES</u>
Firmin Alexander	11/86
Connie Deland	11/86
Richard S. Gray	11/86
Kathleen Gretsche	11/86
Malcolm W. McDonald	11/86
Joseph T. O'Neill	11/86
Gordon Rosenmeier	11/86

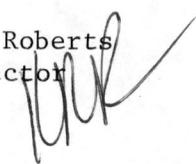
DEPARTMENT : MINNESOTA ZOOLOGICAL GARDEN

STATE OF MINNESOTA

Office Memorandum

DATE : September 16, 1987

TO : SEE BELOW

FROM : Kathryn Roberts
Zoo Director 

PHONE : x300

SUBJECT : SCHEDULED INTERVIEWS WITH DENISE OIE

You should be expecting a telephone call from Denise Oie, a consultant for the Zoo Society.

Denise would like to meet with you for 30-minute face-to-face individual interviews to ask you questions about how the Zoo Society might help you in your area. She is planning to do the interviews the week of September 28-October 2.

If you have questions about the interview process, I will have a copy of the questions to be asked early next week. If you care to call Denise Ois to schedule a time, you can call her at 770-5995.

TO: ~~—~~ Dick Buske
~~—~~ Mike DonCarlos
 Sharon Foster
~~—~~ Steve Hage
 Karen Jensen
 Jeffrey Krueger
 Cindy McCandless
 Mary Jo Olson

Mary O'Neill
 Nick Reindl
 Ron Tilson
 Mike Traub
 Sheri White
 Marcy Dowse

4/27/81

MINNESOTA ZOOLOGICAL SOCIETY
555 Wabasha St. No.
St. Paul, Minnesota 55102

Board of Directors

OFFICERS

ROBERT L. BONAWITZ, President, CDC Mail Station PLY-011, 2300 Berkshire Lane No.,
Minneapolis, MN 55441 Home: 454-7680; Office: 553-4982

DENNIS P. ALBRECHT, Vice President, 12501 James Road; Minnetonka, MN 55343.
Home: 933-0989; Office: 370-6920.

PHILLIP R. NELSON, Secretary; 1573 Wachtler Avenue; Mendota Heights, MN 55118.
Home: 457-1550; Office: 733-0254.

TONI HENGESTEGER, Treasurer, Economics Laboratory, Inc., Osborn Building-12,
St. Paul, Minnesota 55102. Home: 484-1938; Office: 293-2288.

MEMBERS

DON BLOCK, 20 Birch Bluff Road; Tonka, MN 55331.
Home: 474-2449; Office: 553-4813.

JOSEPH G. BOHLEN; 5219 Minnetoga Terrace; Minnetonka, MN 55343.
Home: 933-1850; Office: 376-1474.

NARVEL M. BROOKS, JR.; 2014 Third Avenue North; Minneapolis, MN 55405.
Home: 377-4659; Office: 553-4910.

BRUCE E. DOUGLASS, M.D., Department of Medicine; Mayo Clinic; Rochester, MN 55901.
Home: (507) 289-1002; Office (507) 284-7573.

DAVID F. DUNN; 2312 Elton Hills Drive; Rochester, MN 55901.
Home:

KAREN FERGUSON; 855 Cliff Road; Eagan, MN 55123.
Home: 454-3909; Office: 457-9425.

STEPHANIE FOX; 14601 55th St. So.; Afton, MN 55001.
Home: 436-5843; Office: 778-4992.

LARRY FREEMAN; 2581 Quebec Ave. So.; St. Louis Park, MN 55426.
Home: 546-5886; Office: 298-3799.

CRAIG J. HALVORSEN; 616 Portland Place; Burnsville, MN 55337
Home: 432-1136; Office: 330-5384.

INGRID M. HOLLEY; 2715 Ottawa Avenue So.; St. Louis Park, MN 55416.
Home: 920-1752.

MARK ERLING JACOBSON; 1450 Lincoln Avenue; St. Paul, MN 55105.
Home: 699-6858; Office: 340-0234.

PATRICIA LEEFELDT; 5101 W. 70th St.; #209; Edina, MN 55435.
Home: 941-8291.

TERRY NELSON; 132 Strese Lane; Apple Valley, MN 55124.
Home: 432-2624; Office: 451-6822.

MARILYN NORDAUNE; 13701 Diamond Path West; Apple Valley, MN 55124.
Home: 423-3132.

MARIALICE SEAL; 9801 Pillsbury Avenue South; Bloomington, MN 55420.
Home: 888-7267.

VICKI L. UCHIDA; 7300 Wentworth Ave. So., Richfield, MN 55423.
Home: 869-6388; Office: 870-1500.

Executive Director

Karla A. Williams
555 Wabasha St. No.
St. Paul, MN 55102
Home: 633-2168; Office: 222-1706.



MINNESOTA ZOOLOGICAL GARDEN

~~Bob~~
Xerox Room Bulletin

Carpenter Shop - ~~Gene Barthel~~

Building and Grounds - ~~Bob Rowe~~

Receptionist Desk -
~~Jan Howe~~ - B. Building ~~luncheon room~~

Heating Plant - ~~Fred Apfelbacher~~

Machine Shop

Machine Room F

Auto Shop - ~~Roger Broz~~

A Building - ~~Annette Doman~~

Education - ~~Sheri White~~

Public Safety - ~~Stan Rotegard~~

Storeroom - ~~Dan Christenson~~

Zoologists ^{Office} - ~~Carole Stead~~

ISIS

Gift Shop

Admissions

Exhibits - ~~David Brunst~~

Greenhouse - ~~Steve Wachter~~

Monorail

Photo Lab - ~~Edie Smith~~
An equal opportunity employer

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Apple Valley, MN 55124
612/432-9000

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Telephone

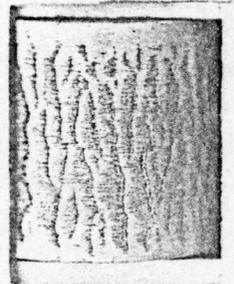
612-297-3180

Anytime

612-296-2614

D.B.E.R.

(4)
FA



BACKGROUND PAPER ON MINNESOTA ZOOLOGICAL GARDEN SUPPORT ORGANIZATIONS

1961 The Minnesota Zoological Society (Society) incorporated to establish a year-round modern zoo for St. Paul and to promote zoological research. Initial incorporators: Archibald G. Bush, Stanley E. Hubbard, Raymond M. Schneider, Thomas Moore, Sr., Roy W. Larsen, David Paper, Harry L. Holtz, Adolf Tobler, Fred Manley, Reuel Harmon, William H. Oppenheimer; in addition, the first volunteer board of the Society included Donald C. Dayton, J. G. Ordway, Oliver Skellet, B. H. Ridder, Sr. (In 1975, the Society amended its articles of incorporation to reflect the society's purpose of assisting and supporting the MZG).

1969 *Zoo Board established by statute to prepare masterplan for metropolitan zoo.*

1971 *First Zoo bill (for a \$32 million masterplan) fails in Legislature.*

The Society, also known as "the Zoo People" campaigned heavily and was instrumental in showing grass roots support for a new Zoo prior to 1973 when the Zoo Board was appropriated funds for Zoo construction. Society volunteers enthusiastically made presentations to groups all over the state to generate legislative support for the Zoo bill.

1973 *Zoo bill for reduced masterplan (\$23 million bond appropriation plus \$2.3 million match) passes.*

1974 Society sponsors Aid-to-the-Zoo Horse Show, netting \$25,000 for the Zoo to be used towards state match.

1975 Society changes its purpose to support of the Minnesota Zoological Garden.

Minnesota Zoological Garden Foundation (Foundation) formed by the Zoo Board (five of the six incorporators were Zoo Board members) to act as the major capital fund-raising support organization, to raise the \$2.3 million to receive the state match. (Foundation bylaws required that 11 of the Foundation board members be appointed by the Zoo Board Chair.)

Society Second Annual Aid-to-the-Zoo Horse Show, netting \$32,000 for the Zoo.

1976 Society Third Annual Aid-to-the-Zoo Horse Show brings cumulative total to \$84,000 in three years.

1977 (April) MZG, Foundation, and Society co-sponsor, with the assistance of the statewide organization of elementary school principals (MESPA), a Whale Walk in which 10,000 walkers participated, with \$145,000 pledged.

1978 (April) 8,200 walkers obtain \$223,000 in pledges from 80,000 sponsors through a "Walk with the Animals" event, co-sponsored by the Society and Foundation.

Foundation's initial goal to help raise the \$2.3 million to collect an equal amount in matching funds from the State of Minnesota for the Zoo's initial construction phase successfully concludes.

- 1979 Zoo Walk collected \$111,000 of \$140,000 pledged (with \$61,000 in expenses) from 4,000 walkers. (Cumulative net total from 3 "walks" was \$186,500.)

In 1979, the Legislative Auditor first questioned the potential for conflict of interest between the Zoo Board's relationships with the Foundation and Society, since the boards of both support organizations included members of the Zoo board. The audit report recommended that the statutory authorities of the Zoo Board be expanded to allow the Zoo Board to engage in activities presently performed by the Foundation and Society.

- 1980 Foundation approves Zoo Board's request for \$1.5 million Short Range Development Plan.

In late 1980, two Zoo Board members were assigned the task of reviewing the Zoo Board's organization and the division of responsibilities between the Board and the General Director, as well as relationships between the Zoo Board, Foundation and Society. The task force recommended that a special committee, composed of members of each of the three separate organizations, consider whether one umbrella agency could cover both the Foundation and Society, and whether existing contracts should be renegotiated. As a result of this report, and subsequent discussion at the January 1981 Zoo Board meeting, the Society was notified of the Zoo Board's intent to renegotiate the reciprocity contract, which was to expire in May of that year.

The reciprocity agreement between the Zoo and the Society afforded admission to Society members at no cost in exchange for performance of volunteer services by the Society at the Zoo. The value of volunteer services was determined on an hourly rate negotiated annually under the agreement while gate admission was valued according to prevailing rates (at an estimated usage of 2.3 visits per year per member). The value of volunteer hours contributed to the Zoo was recognized as income to the extent of benefits received by the members. The value of accumulated volunteer service hours in excess of member gate admissions could be used to offset future liabilities arising from members' gate usage. (The Zoo Board had trouble with the volunteer hour credit because not all volunteers were even Society members.)

- 1981 (January) Society notified of Board's intent to renegotiate reciprocity contract because of disagreement over the proportion of funds raised by the Society actually going to Zoo.

Between January and November 1981, four extensions to the Society reciprocity agreement were authorized to allow additional negotiations; however, no agreement could be reached which was acceptable to both the Zoo Board and Society.

(February) Society agrees to start an animal sponsorship program at the request of the Zoo Director and with Zoo Board approval.

(April?) An Interboard Committee proposed that the Society and Foundation combine office functions at one location as a step in the process of possible future organizational consolidation -- an idea first proposed by the three boards in 1978.

(June) The Legislative Auditor again noted the ambiguity and inefficiency associated with working with three independent boards, with duplication of services and inadequate control over funds raised.

(October) The Zoo Director, at the direction of the Zoo Board, prepared an evaluation of the Zoo/Society operating relationship. The evaluation also stated that Society programs of membership, continuing education, sponsorship and volunteer recruitment and recognition could be handled directly by the Zoo. The evaluation noted that Society members were unaware of the distinction between the Zoo Board and the Society. (The Zoo still has Society members coming through Admissions expecting to get free admission because they believe they are "Zoo members"). The Zoo Director also pointed out that the Foundation had, since its incorporation in 1975, "always operated exclusively in a support function to the Zoo... and never deemed it appropriate to require that the Zoo Board apply to it and negotiate with it for the use of funds it has raised for the zoo...Nor have its articles of incorporation ever contemplated independent purposes."

"The Society, on the other hand, when incorporated in 1961, included in its articles responsibility to establish and operate a zoo as well as 'To encourage public interest in the science of zoology; to conduct places of recreation and education for the benefit, advantage and amusement of the public so that it may acquire a better understanding of the science of zoology and kindred subjects; to engage in research, and to prepare, publish and disseminate information to the public concerning the science of zoology.' In 1975 the Society Board authorized a change in articles replacing entirely the original purposes statement with the following, 'To assist and support the Minnesota Zoological Garden in the accomplishment of its purposes whether through rendering financial assistance or performing services or otherwise, and to do all other acts and things incidental to the furtherance of the authorized objectives of said garden.

"The point here is that the Society acts in part as though it remains governed by the original article of purposes. When mention is made by some of its Board members of the Society's interest in performing its own research and publishing its own findings independent of the zoo, it is not a support organization that is speaking but rather that of an independent organization with a mission of its own. Some of the recent misunderstandings on the appropriate process for fellowship funding, as well as the question of respective responsibilities for publication content and program coordination, may stem from a role perception that might not yet have made the full transition to the operating reality of the zoo today."

The main source of Society funding was from the membership program which provided free admission to the zoo along with various publications. The Society also contributed an average of \$30,000 a year to the Zoo for continuing education programming, internships, and advertising, as well as for recruitment and recognition of Zoo volunteers (coordinated and managed since the Zoo opened by a Zoo staff person.)

Because volunteer services were substantially available to the zoo independent of contract with the Society, the Zoo Board felt there was no basis of fair return to the State for the value of goods (free entry for Society members) provided by the State, particularly since the Zoo managed directly all facets of the volunteer program except for initial recruitment and annual recognition.

The Zoo Board sought direct payment for Society members' admission to the Zoo as was practiced by other zoos, including the Portland, North Carolina and Cleveland Zoos.

(November) Society contract terminated. (See Attachment A for minutes of board meeting related to termination of the Society contract. Attachment B is the newsletter distributed by the Society immediately after the Zoo Board decision.)

(One issue in the termination decision stemmed from an agreement that the Society would be allowed to participate in the decision of hiring a Research Biologist for Zoo staff; the Zoo hired a former National Zoo research intern, without consulting the Society, and the Society chose not to provide the grant for the research program.)

1982 (January) Zoo begins its own membership program, continuing education classes, volunteer recruitment and recognition, and adopt-an-animal program, all former Society programs. Repeated appeals to obtain the Society's list of members to convert them to Zoo members were rejected.

(November) Foundation closes office due to financial difficulties. Administrative responsibility for remaining Foundation funds was turned over to The Saint Paul Foundation.

1984 A study by the Washington Park Zoo in Portland, Oregon, showed that the Minnesota Zoo was the only one of 27 zoos responding to a survey that did not have a zoological society connected with its facility. The study also reported on the size of various societies:

Less than 500 Society Members	2
500 to 1,000 members	5
1,000 to 5,000 members	8
5,000 to 8,000 members	3
8,000 to 10,000 members	0
10,000 to 12,000	4
12,000 and over	5

Peak Minnesota Zoological Society membership was 9,200 members. Minnesota Zoo members now number 13,000.)

1985 Foundation raises \$750,000 to match the State's \$750,000 to purchase the monorail from the investors who had decided to sell the system, removing it from the Zoo. Foundation assigns full ownership of the monorail to the Zoo.

1987 (February) Society requests Zoo Board to appoint members to work with Society on plan to help the Society find ways to assist the Zoo. Zoo Board Chair agrees to discuss the matter at a future meeting if additional information is received from the Society. The information requested was not received.

(September) The Society still has a current membership base of between 300 and 600 and has hired a consultant, Denise Oie, to prepare a plan of how the Society can assist the Zoo.

Current Board of Directors
Minnesota Zoological Society

Clayton Hatzenbuehler, (Apple Valley) President
Leanne Bergstrom (Eagan)
Sue Bunn (current Zoo staff)
Adela Elwell, Ph.D. (Bemidji)
Kathleen Lundgren (former Zoo Education Curator)
Dorothy Molstad (former Zoo Volunteer Coordinator and Promotions Director)
Jillaine Nerhaugen (St. Paul)
Dany Newbauer (former Zoo Naturalist)
Nancy Radenmacher (Garfield)
Bev Rongren (former Zoo Assistant Director - Visitor Programs)

Current Board of Directors
Minnesota Zoological Garden Foundation

Elected Members

First Term

Thomas M. Crosby, Sr.
Donald Dayton
Robert H. Engels
Reuel D. Harmon
Hazel H. Reinhardt, Vice President
Dr. U. S. Seal
Pat Davies
James L. Hetland
John Tilton

Second Term

Anthony L. Andersen
D. Stephen Farley
Margee Kinney
Wayne Peterson
Chy Morrison
Harold S. Webster

Appointed Members

Firmin Alexander
Connie DeLand
Richard G. Gray
Kathleen Gretsche
Malcolm W. McDonald, President
Joseph T. O'Neill
Gordon Rosenmeier

positions in Public Programs, 3 in Physical Facilities (one janitor and grounds crew), and 1 admissions clerk in Business Management Services. Supplies and expenses have been cut across-the-board. At the Finance Committee meeting, there was agreement that the 8% level looked acceptable.

When asked about the timeline for decisions, E. Kohn explained that the House Appropriations and Senate Finance subcommittees will be holding hearings, with the dates yet to be announced when the zoo will be called upon to present its plan. Tom St. Martin, Agency Controller, stated that the plans would probably be required shortly after the special session starts. T. Hengesteg, noting that the level of cuts was unknown, recommended that the Board defer discussion of higher level alternatives until specific amounts are available. She added that prioritizing programs could be demoralizing for affected staff. E. Kohn asked that the Board at least consider approving the 8% level so impacted staff could be informed and alternative employment sought. Tom St. Martin advised staff to call the Governor's Office for guidance, and added that the figures being talked about range from 9-1/2% to 11%.

T. Hengesteg suggested closing the Lodge since it is an ancillary facility, to which E. Kohn replied that cost savings would be only \$10,000 and closing that facility could impact revenue. J. Weaver noted that the only viable cut was the advertising budget. P. Davies and H. Goldenberg recommended approving the 8% level now and meeting again when the Governor's exact plan is known. R. Arndt asked that all Board members let E. Kohn know within a week if there are other alternatives to be considered so cost savings and impact can be assessed.

MOTION by R. Arndt, seconded by J. Weaver, that the Minnesota Zoological Board approve the 8% budget plan as described in the October 29, 1981 memo to the Board. MOTION CARRIED UNANIMOUSLY.

MOTION by R. Arndt, seconded by P. Davies, that the Minnesota Zoological Board approve the elimination of the Public Safety activity and the corresponding transfer of their responsibility to other divisions. MOTION CARRIED UNANIMOUSLY.

At this point, Chairman Hetland introduced Representative Carolyn Rodriguez. She stated that she would follow the zoo's progress with interest and would keep in touch with committee action. Chairman Hetland expressed appreciation on behalf of the Board for all her help and support.

Reciprocity Agreement

Chairman Hetland noted that since the Board, at its October meeting, tabled a motion regarding reciprocity until its December meeting, but also acted to extend the reciprocity contract only until November 19, the issue must be resolved at this November meeting because the net effect of no action this month would be automatic termination of the agreement. He then reported on events occurring since the October Board meeting.

Reuel Harmon, who has been active on all three zoo family boards, was disturbed when he heard that the agreement with the Society might not

be renewed and asked to meet with J. Hetland and M. Jacobson. The result of that meeting was agreement by M. Jacobson and J. Hetland to meet to see if any new alternative could be worked out for consideration. Technically since the motion was before the Board, there was no committee functioning so it is appropriate that the Society bring an alternative proposal to the full Board. The Chairman noted that the Society Board would do so during the present meeting.

At the annual meeting of the Foundation, although not formally discussed, several former zoo board members expressed concern about the possible negative effect on the capital drive of a public debate involving the zoo.

R. Arndt welcomed the alternative Society proposal and expressed the hope that there be no public issue made of contract termination, should that be the decision today.

Chairman Hetland then introduced Mark Jacobson, President of the Minnesota Zoological Society (MZS), who, before highlighting the significant changes in the Society proposal, presented some observations about other zoological societies compared to the MZS.

- There are two categories of zoo societies around the country: (1) a separate, independent society which serves as a support organization -- the MZS is of this type -- and (2) the society that owns and operates the zoo (Examples; San Diego with 90,000 members and Cincinnati with 20,000 members). He knew of no zoo that attempts to operate its own society programs.

- Only three of the major zoos with independent support organizations have written agreements which provide for monetary compensation for free entry for its members, but, he believed, without exception, every society is provided free access to the zoo for its members in exchange for services or good will provided by the society. All societies have special programs including volunteer services, capital fund drives, cash contributions, and similar benefits such as a publication.

- According to a survey in the late 1970's, 87 of 117 zoos around the country have related societies. 42 had members of 1000 or more; 25 had 2,000 or more members; 13 had 5,000 or more member, and only 7 had memberships of 9,000 or more. The MZS has 9,200 members and its main activities have been developed in only four years.

- Benefits provided zoos by their societies include publications to promote zoo interests (75% of all societies), volunteer programs (60%), promotions or advertising for the zoo independent of the societal purposes (65%), speakers bureaus (50%) and wildlife conservation or education programs (48%).

M. Jacobson reported that the MZS had contributed \$23,400 in 1979; \$3,600 in 1980; and \$152,850 in 1981 (which includes \$35,000 in restricted funds, \$33,000 for animal sponsorship proceeds presented today; and \$42,000 in allocated but uncommitted 1981 grants). R. Arndt disagreed, noting that S. Iserman and he had worked independently reconciling cash received from the Society with substantially different results for 1981. R. Arndt, referring to the 1979 and 1980 Society

audited financial statements, stated that the numbers just presented by M. Jacobson do not agree with audited figures of \$27,813 contributed in 1979 and \$18,975 in 1980, and \$27,231 through April 30, 1981. E. Kohn noted that some of the dollars might not show up as a cash contribution in their annual report because the Society has paid invoices directly to the vendor on behalf of the zoo.

M. Jacobson noted that independent societies with comparable membership levels have annual operating budgets of approximately \$300,000. He added that the Society is aware of the zoo's need for funds and of the Zoo Board's need to justify why the Society members have access to the zoo on an unlimited pass basis. Therefore, the Society is proposing the following concepts of an agreement which will provide some monetary reward to the zoo and still allow the Society to continue to develop and expand its programs and memberships.

The proposed annual reciprocity agreement, automatically renewing (with a 90-day notice clause for termination) provides for general duties from the society which include recruiting a broad base of membership, developing public support and sponsoring public interest programs that will enhance interest in the zoo. Specific Society duties include sponsorship of a continuing education program and a zoo volunteer program and coordination of a newsletter. Any one of the specific duties may be terminated by Zoo Board with 90 days notice; the function could then be taken over by the zoo.

In consideration of the above functions, and of the general intangible benefits the Society provides, the Society would buy gate admissions to be paid at a 40% discount from prevailing gate admissions. Those admissions would be paid in cash but would be further offset by the cost to the Society of the three programs for continuing education, zoo volunteers, and a periodic newsletter. Cash payment to the Zoo Board would be deposited in the zoo's gift account or in a separate Society account that could be drawn upon at any time without Society Board approval and used for any purpose the Zoo Board desires within the following categories: educational equipment and programs, purchase of plants and animals, research, and exhibit improvements.

Special fund-raisers, such as the animal sponsorship program, will be covered by separate agreements between the parties. Any society sponsored event that involved zoo facilities would require prior approval by the Zoo Board or the director.

The publication of the combined newsletter would also be covered by a separate agreement for editorial function, mailing lists and allotment of costs above the agreed upon number of copies.

Other contributions in excess of additional costs of benefits in the supporting donor and patron membership categories would be disbursed to the zoo also.

In the event of contract termination, the Society would continue to pay for admissions of its members to the zoo at the regular group rates. In closing his presentation, M. Jacobson stated that the Society Board and members have a strong need to support the zoo.

Finance Committee Chairman Arndt pointed out that under this Society proposal, the zoo would not benefit from the cash payments since all

gate receipts, by statute, must be returned to the State General Fund. R. Slowes, Special Assistant Attorney General, confirmed that the proposed agreement seems to establish a sale of admission to the zoo. The closer the structure of the agreement gets to admission based payment, the more likely that all proceeds would be required to be deposited in the general fund.

J. Weaver asked if the negotiations had ever focused on the \$200,000 in certificates of deposit adding that, in view of the forthcoming budget cuts, those funds could be put to good use by the zoo. R. Arndt reported that the \$200,000 was unrestricted but was reserved as a working capital fund for the Society. Within their articles of incorporation the Society may do with the \$200,000 as they wish. M. Jacobson reported that a reserve was needed because most of the Society's revenues come in March through May; but expenses are constant throughout the year. S. Doyle, noting that 70% of the memberships are renewals, asked if the 9-month reserve could be reduced. M. Jacobson responded that the Society could try to develop some kind of declining scale of reserve.

R. Arndt, responding to H. Goldenberg, reported that the year end cash balance (May, 1981) was \$327,000 with \$60,000 restricted for direct support to the zoo. M. Jacobson said the current unrestricted fund balance was \$196,000 which must be obligated to purchase and pay for benefits to members. T. Hengesteg stated that membership benefits are recorded on financial statements as a liability; the fund balance is the total of assets minus liabilities. A cash balance is an asset account while a fund balance is an equity account.

Responding to H. Goldenberg's question on the Society's budget for the year ended May 31, 1981, M. Jacobson reported that Society revenue, including membership and animal sponsorship receipts, totalled \$418,000 with expenses of \$398,000, leaving a net increase of \$19,000. Included in the expenses were \$269,000 for membership activities and education, \$35,000 for sponsorship program expenses; \$10,000 for the volunteer program and direct support to the zoo of \$29,700.

R. Arndt, referring to a worksheet distributed to the Board, noted that including an estimated \$300,000 in revenue for 1981, Society revenues and credits for the past three years, including volunteer hour credits, total \$997,000; with direct contributions (according to the Society's audited financial statements) of \$76,000. Expenses for membership procurement and general administration was \$420,000 or 42%. (Revenue does not include fees for education classes which is not within the scope of the audit.)

M. Jacobson reported that direct benefits to members costs the Society \$13. R. Arndt disagreed, noting that the Society costs, as given to him in May, were \$5.91 per member, leaving a \$27 profit from a family membership. R. Arndt noted that 1981 Society gate usage was \$116,000 as reported to members, the cost of which is only on paper.

T. Hengesteg noted that the duplication of expense for staff, rent, utilities and office equipment would be eliminated if the zoo were to assume the programs currently run by the Society. R. Arndt noted that E. Kohn projects that zoo staff could provide the same membership

benefits at significantly less than the Society's costs.

H. Goldenberg noted that the perception of most Society members is that the money goes to the zoo and it does not. M. Jacobson countered that many of the Society's programs are geared to zoo purposes and most of the Society's funds are used indirectly for the zoo.

H. Goldenberg commented that he thought the Society existed to benefit the zoo; however last winter, the zoo existed so that the Society could get trial memberships; only the Society benefited from that program. He added that he did not think it appropriate that the Society decides how the zoo may spend contributions from the Society.

M. Jacobson stated that he supports giving as much financial support to the zoo as the Society can afford without impairing its membership services. He added that the \$42,000 previously committed to the zoo by the Society would be forthcoming when the relationship normalizes. R. Arndt strenuously objected to such conditions being tied to the grant. M. Jacobson replied that he did not mean to say the money was being held as a lever, to which both T. Hengesteg and R. Arndt replied that the Society Board minutes reflect that that was the intent.

R. Arndt emphasized that the Zoo Board was only cancelling the reciprocity agreement and was not terminating the Society. H. Goldenberg asked what the relationship with the Society would be if reciprocity were not renewed. J. Weaver asked M. Jacobson if the intangible benefits to the zoo would continue without the contract. M. Jacobson replied that it is his hope that the Society continue as a support organization; however, if the Society proposal is rejected, it won't be easy. He added that there would be reactions to the rejection in some people's minds. T. Hengesteg noted that the Zoo Board has granted several extensions over the last six months while trying to negotiate a contract agreeable to both parties. The Society, not the Zoo Board, has rejected each contract.

S. Doyle emphasized that a business contract was being rejected; legal bonds with the Society continue. He added that he was concerned that there might be a carry-over attitude that will affect the relationship between the Society and the zoo.

M. Jacobson stated that a support society provides a benefit to the zoo that is not measured in dollars. He added that the Society could continue selling memberships and pay for its members admission to the zoo. He stressed that while the Society might be able to increase the level of cash contributions, they would be hard pressed to do a better job of publicizing.

H. Goldenberg expressed concern that the Society might continue to sell memberships providing free admission to the zoo. R. Arndt noted, and R. Slows agreed, that they could provide their members with admissions to the zoo and pay for them at the 20% group rate discount. However, R. Slows pointed out a one time annual admission could not be provided by the Society. H. Goldenberg stated that his concern was not so much with free admission to the zoo as it was that Society members believe their membership dollars go to the zoo.

R. Gort said that he would like to go on record encouraging the Society to continue to support the zoo, and expressed appreciation for the Society's past contributions. S. Doyle reiterated R. Gort's comments, and noted the Society's education programs. J. Weaver said the contract

involves money for memberships which include free admission to the zoo; it has nothing to do with the support organization role of the Society.

M. Jacobson stated that the Minnesota Zoo would be the first zoo which does not provide free admission to its Society's members.

T. Hengesteg countered that the MZS was the only Society that attempts to direct how the zoo shall do research.

MOTION by R. Arndt, seconded by J. Weaver, that the Board's overall responsibilities are to (1) operate the zoo in a reasonable and prudent manner for the citizens of the State of Minnesota, (2) oversee and approve all activities which take place in the name of the zoo by any organization, (3) make the zoo accessible to all the citizens of the State of Minnesota, and (4) encourage and maintain a broad base of support from the citizens and communities of the State; and considering that:

(1) The Society has provided a wealth of support and valued services to the Minnesota Zoo since its inception down to the present time. Without the Society, those early years would have been considerable more difficult. For this contribution, the Zoo is, and always will be, very grateful. In addition, the Zoo looks forward to continuing support from the Society in areas other than the reciprocity area.

(2) The Zoo has come of age as it has been operating for over three years and the initial relationship of the Society to the Zoo is no longer necessary.

(3) The June, 1981 Legislative Auditor's report raised certain questions regarding the Zoo/Society relationship in the following areas:

- (a) The ambiguity and inefficiency associated with working with several independent boards
- (b) Duplicate media promotion
- (c) Duplicate advertising campaigns
- (d) Individual newsletters.
- (e) Inadequate direct control over special sponsorship programs.
- (f) Each organization has its own ideas how to best promote the Zoo. This could create inefficiencies in operating the Zoo.

(4) The Zoo Board believes that a potential exists for conflicting interests between the Zoo and the Society.

(5) The Zoo Board believes that all activities carried on by the Society on behalf of the Zoo should be performed only with the prior approval of the Zoo Board.

(6) The Zoo Board believes it needs a broad base of citizen and community support to prosper and function in an efficient manner.

(7) The Zoo believes that it can perform the annual membership drive, the volunteer program and the education program which was the significant part of the former reciprocity agreement with the Society in a more efficient manner, thus benefiting the people of the State of Minnesota.

Based on the above, and the financial facts attached to these minutes, the Minnesota Zoological Board will not renew the reciprocity agreement with the Minnesota Zoological Society and that between November 19, 1981 and March 31, 1982, the Board and/or its designated committee will work closely with the Society to carry out the provisions of Paragraph VIII, subparagraph "D" of the Reciprocity Agreement. Further, the Chairman of the Minnesota Zoological Board shall notify the Society in writing of this action.

MOTION CARRIED UNANIMOUSLY. Chairman Hetland, after the vote and noting his custom of not voting except to break a tie, asked that his opposition to the motion be recorded.

Chairman Hetland reiterated his appreciation of the Society's past contributions and noted that the motion just passed is a reflection of our concern that the relationship is changing as both organizations mature. He asked that M. Jacobson convey to the Society the Board's hope that the relationship may be maintained in areas other than reciprocity.

Chairman Hetland then designated R. Slowes and E. Kohn to join with him or his delegates in working with Karla Williams and Mark Jacobson to plan on meeting obligations under the contract. (After the meeting, the Chairman designated T. Hengesteg and J. Weaver as his delegates.)

Discussion on the appropriate release of the Board's decision to not renew the reciprocity agreement followed. It was agreed that the director should draft a simple statement for press release stressing that (1) the zoo will continue to honor unexpired Society membership cards for free admission, (2) the zoo will offer an annual pass program, which staff was directed to begin planning immediately, (3) the Zoo Board appreciates the Society's contributions in the past and thanks the Society for its role in contributing to the zoo's success, and (4) only the reciprocity agreement has not been renewed; the Zoo Board looks forward to the Society's continuing community support. The release will be reviewed by both R. Slowes and J. Hetland prior to release. Documentation and figures will not be released unless requested. The Board agreed that the release should stress that the Board did not feel that the State was getting quid pro quo; and thus the difficult management decision was made. The Board also recommended receiving the Society roster so that the zoo could communicate directly with Society members, assuring them of the zoo's continuing obligation to them. All inquiries regarding this action will be referred to R. Arndt.

R. Arndt reported that E. Kohn had received a letter from Fred Norton, Chairman of Government Operations Committee, stating that a constituent had written his committee asking that his "membership in the zoo" be extended 23 days because he could not visit during the strike. R. Gort stressed that the Zoological Society member be informed that his membership is in the Society, not the Zoo. E. Kohn offered to work out a practical offsetting adjustment with the citizen.

SIGNIFICANT FINANCIAL FACTS PERTAINING TO
THE SOCIETY/ZOO RELATIONSHIP

Society Revenues for the Year Ended May 31¹

1979	\$386,000
1980	\$311,000
1981	<u>\$418,000</u>
	<u>\$1,115,000</u> ²

Society Cash Contributions to the Zoo for Years Ended May 31

1979	\$ 27,813
1980	\$ 18,975
1981	<u>\$ 29,737</u>
	<u>\$ 76,525</u>

Society Value of Zoo Support for 1981

Volunteer program	\$ 16,000
Education program ³	\$ 25,000

Society Value of Zoo Admissions for 1981 offset by volunteer services \$116,000⁴

Cost of Memberships to the Society for 1981 (per Society worksheet and exclusive of advertising, promotion and general administrative costs).

	<u>Cost</u>	<u>Membership Fee</u>
Family	\$ 5.91	\$32.50
Individual	\$ 5.91	\$21.50
Donor	\$ 5.91	\$50.00 to \$99.00
Supporting	\$25.91	\$100.00 and up

¹ Society has spent over \$406,000 on membership procurement and general and administrative expenses over the past three years.

² Revenue amounts include volunteer service hour credits totaling \$263,363.

³ Society keeps all Continuing Education course fees. The zoo houses the program and the Society pays out-of-pocket costs, including teacher costs. (The majority of the classes are taught by zoo employees on their own time.)

⁴ Approximately 1/2 of the volunteers are not members of the Society.

ZOO NEWS



Published for members of the Minnesota Zoological Society

Volume 12 Number 12

Zoo Society votes to stay in business.

The Minnesota Zoological Society board of directors voted Thursday, December 17, to continue to provide services to its current members and to explore new areas of zoological involvement in the community. The board renewed its commitment to wildlife conservation, education and research, and support of the Minnesota Zoo.

The Society motion was made in response to the November 19 Zoo board action which ended the Zoo's contractual ties to the Society and halted any further sales of Society memberships which included unlimited free admission to the Zoo. The Society is now studying the potential of a membership benefit package without unlimited free admission to the Zoo.

Meanwhile, current Society members will continue to receive the following benefits until their membership expires:

- Free admission to the Zoo.
- Free monthly lectures and educational activities.
- Monthly newsletter.
- Animal Kingdom magazine.
- Tuition discounts on the Society-sponsored education classes.
- Annual open house.
- Opportunity to purchase Zoo tickets at a 20% discount.
- Opportunity to purchase Zoo calendars.
- Tax deduction.

Although the parties had been discussing terms for a new reciprocity agreement for some time, the Society board did not anticipate that the existing agreement would be terminated without a new agreement to replace it or that the Zoo would attempt to establish its own membership program and assume responsibility for the Society supported programs.

The event created quite a stir on all fronts. The Society board of directors was unprepared for the decision and disturbed by what they viewed as the Zoo board's lack of appreciation for the Society's long history of involvement. The event upset long-standing Society and Zoo supporters, confused the general public, gave rise to a long list of reasons for the decision by the Zoo board, and provided the news media with yet another Zoo controversy to write about.

Weren't the terms of the three-year-old contract met?

The contract, known as the Reciprocal Agreement, exchanged volunteer hours worked at the Zoo for Society admissions. According to the terms of the contract, the Society is required to pay the Zoo if admissions exceed the value of volunteer hours. The Society receives a credit if the volunteer hours exceed the admissions, but no cash is paid to the Society for any such credit.

The Society's contractual obligations have not only been met, but volunteer hours have surpassed membership admissions by \$118,000 over the past three years.

Although not required by any agreement, the Society has made cash contributions to the Zoo and has provided funding for, and has operated, the volunteer recruitment and recognition program, the continuing education classes, the animal sponsorship program, and a variety of special public events at the Zoo.

If the terms of the contract were met, why did the State Zoo board terminate the agreement with its citizen support group at this particular time?

The controversy over why the split occurred between the Society board and the Zoo board has been reported

through virtually every news source in the area. Both sides have had opportunities to explain publicly what happened and why.

Reported reasons given by the Zoo board include money, power, control, difference in philosophy, a sound business decision, and that not all of the volunteers who worked at the Zoo were Society members.

While your Society board of directors acknowledges that the Zoo board made what it believed to be a sound business decision with the best interests of the Zoo in mind, the Society board questions the wisdom of the Zoo board's action. By terminating the reciprocity agreement, the Zoo board alienated a strong citizen's support group. Various attempts to find a mutually agreeable solution have been unsuccessful as have attempts to urge the Zoo board to reconsider its November 19 decision.

What was the stumbling block that prevented the contract from being renewed?

Finances appeared to be a significant issue at the November 19 Zoo board meeting and in some of the news articles following termination of the reciprocity agreement. The Society board has been told, however, that finances were never the real issue. Rather, members of the Zoo board have stated that philosophical differences prevented the formation of a new agreement and that the Zoo board wanted total and unconditional control over all Society programs.

Did the Society fail to provide funds to the Zoo?

Perhaps the most significant thing that the Zoo board failed to acknowledge during the negotiations for the reciprocity contract was that the Society was formed primarily as a people organization to promote public awareness and interest in the Zoo. The Society is a non-profit citizens membership organization. Its primary purpose is not fund raising. The Society is the ambassadorial member of the Zoo family, formed for the purpose of promoting public awareness of, and interest in, the Zoo. The Minnesota Zoological Garden Foundation was formed in 1975 through the efforts of the Zoo board as the capital fund-raising arm of the Zoo.

continued on next page

Editorial comment.

Exactly what happened?

On November 19, 1981, the Minnesota Zoo board voted not to renew a three-year-old contract with the Minnesota Zoological Society. Shortly after taking this action the Zoo board informed the Society that the Zoo board and the Zoo staff would be assuming all responsibility for the membership, education and volunteer programs previously sponsored and conducted by the Society. The Zoo board informed the Society that it wanted support from the Society in two areas: serving as publisher for a zoological publication and sponsoring special fund-raisers for the Zoo.



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St. Paul, Minnesota 55102
(612) 222-1706

Society Board President **Mark E. Jacobson**
Society Executive Director **Karla A. Williams**
Editor **Peg Wetzel**

Society plans new membership package.

Beginning in early February, Society members may have a choice of purchasing a new Zoological Society membership or participating in the Minnesota Zoo Goers Association for about the same price.

A Society study is underway to determine the marketability of a new membership package containing **Animal Kingdom Magazine, ZOONEWS, monthly member activities, discounts on books and magazines, travel opportunities and possibly a limited number of zoo**

admission tickets. The Society benefit package will not include **unlimited admissions.**

According to Executive Director Karla Williams, "It is the never ending task and responsibility of the Society to establish a keener appreciation and concern for wildlife. The objective of a new member package will be to enhance people's understanding of animals through educational publications with strong emphasis on participatory activities."

Editorial Comment *(continued from page 1.)*

Nevertheless, the Society has actively sponsored special fund-raising events on behalf of the Zoo through horse shows, zoo walks and animal sponsorships. Most importantly, however, the Society has during the past three years very carefully designed membership programs to cement a bond between people and the Zoo. A membership program does not generally produce large sums of cash free from future membership liabilities.

Even though the Society's primary purpose is not fundraising, the Society board has recognized the financial needs of the Zoo, particularly in these times of legislative cut-backs. The Society board has repeatedly invited discussions with the Zoo board to explore methods for the Society to provide the Zoo with larger cash donations.

Does the operation of this Society differ from other zoological societies across the United States?

The Society board and its staff have carefully compared our Society's income and expense and the use of its revenue with financial records of other zoological support societies. Our Society's operations and financial support to the Zoo are consistent with those of other zoo societies. In fact, our Society's contributions to the Zoo have in many cases exceeded contributions by other societies to the zoos they serve.

There are differences, however, in the way societies are operated. A growing number of societies actually operate zoos or zoo concessions and have specific responsibility for capital fund-raising.

The Minnesota Zoological Society has provided for its members the same benefits which other societies provide to their members. Our members were surveyed about a year ago to determine what, if any, benefits might be eliminated.

The results of that survey showed that our members preferred to keep existing benefits even if a membership fee increase was necessary to provide those benefits.

Currently, membership benefits and the operations of the Society consume approximately $\frac{3}{4}$ of the income from membership dues. The balance of those dues is applied to the Society's Zoo-support programs. Additionally, each January the Society board determines what level of cash support may be given to the Zoo based on anticipated cash reserves.

How does the contract termination affect the Society?

Termination of unlimited admissions as a benefit of membership in the Society will make it very difficult to sustain the membership base the Society has worked so long and so hard to develop.

Currently, the Society board is exploring a membership program without unlimited admission. Some Society-purchased admission privileges may be offered, but the exact nature of the package has not yet been determined.

Because of the abruptness of the Zoo board's decision, however, the Society board has not had adequate opportunity to develop a revised membership program.

For the past 20 years, the Society has been a zoological organization dedicated to the way people and animals interact. That has not changed. The Society will continue to serve that purpose so long as it is economically feasible. Continued membership participation and community support will be essential.

During the time that a new membership program is being developed, current Society members will continue to receive full benefits until their memberships expire.

What is the Society's position on this matter?

By terminating the reciprocity agreement, the Zoo board has placed the Minnesota Zoo in the unique category of being the only major zoo in the country which does not provide gate admissions as a benefit for the members of its support society. This is one of the two primary benefits that attract and retain membership in a zoo support organization such as the Society. The other primary benefit is membership publications.

By its action, the Zoo board has severely impaired support from the private sector in any form other than financial support. The Minnesota Zoological Society is a membership organization directed by a volunteer board. It has worked long and hard to promote the public interest in, and awareness of, the Zoo. The Zoo's new program, which is designed to supplant Society membership, is a "season pass" program that will be managed by a state agency. It will be considerably more difficult for that agency to promote public interest in the Zoo through volunteer efforts.

The Society's board of directors is concerned that the recent action of the Zoo board fails to consider the importance of human resources in achieving the vital goals of a modern zoo. The Society board believes strongly that people continue to be the greatest resource for the future of the Zoo as they have been in the past. In these economic times, that resource must be preserved and developed in order to transfer financial support of the Zoo from the tax rolls to private organizations. The Society board has voted to continue to serve that objective and to continue to develop public support of the Minnesota Zoological Garden.

**Mark E. Jacobson, President
Minnesota Zoological Society**

What's it all about?

NOTE:

This editorial appeared in the St. Paul Pioneer Press on Thursday, December 3, 1981.

The Society Board of Directors feels it most accurately represents the situation and we invite you to read it.

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Editorial Page

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Thursday, December 3, 1981



St. Paul Pioneer Press

BERNARD H. RIDDER, 1883-1975
BERNARD H. RIDDER, JR., Chairman
THOMAS L. CARLIN, Publisher
JOHN R. FINNEGAN, Executive Editor
DAVID HALL, Managing Editor
RONALD D. CLARK, Editorial Page Editor

A sad parting

It was sad to see the Minnesota Zoological Society and the Minnesota Zoological Garden — the state zoo — part company. The break seems likely to mark the end of the society, which has been promoting the idea of a good, major zoo in Minnesota for two decades.

Directors of the zoo apparently decided they no longer were getting enough from the society to justify the free admissions they give to society members and so they voted to, in effect, end the relationship. One can guess that they also felt a desire to be more self-sufficient in taking over those services the society had performed.

We said the break was sad, for there was a lot of history bound up in the society-zoo relationship. We also suspect the zoo board will one day regret the decision, however appropriate it may have seemed last month.

A lot has been made of the dollars involved: how much the Zoological Society has raised through its membership drives, how much the society has given to the zoo, how much the society "costs" the zoo in free admissions and how those costs, in turn, balance against the value of volunteer workers the society recruits to work at the zoo.

From the Zoological Society's viewpoint, these things all add up to a neat reciprocal arrangement. It used the unlimited admissions provision to attract thousands of members who became enthusiastic supporters of the zoo. The money raised, over and above the cost of servicing the

Cover story

Beauties of the Minnesota Zoological Garden reached a national audience this month when the zoo was featured as the cover story in Smithsonian magazine. Appropriately for December, the photographs are of winter scenes — animals, ski trails and the monorail. And appropriately for the Smithsonian, it's mentioned that the Minnesota zoo is among those cooperating with the Smithsonian's National Zoo in a project aimed at increasing the number of Bactrian camels and Mongolian wild horses in the world.

Photos and text are informative and inviting and demonstrate to the rest of the country that Minnesotans don't have to curl up and sleep through the winter. There are things to do here, and a visit to the new zoo in Apple Valley, whether on foot, ski or conveyance, is among the best. Besides, if it's really cold one can stay in the tropic areas and dream.

members, was dedicated to uses directly and indirectly related to the zoo. The society built up a sizable bank account but, as we understand it, expected this to go for zoo purposes over the long haul.

Zoo directors see the financial picture quite differently. Thousands of free admissions mean thousands of uncollected gate dollars and the "credits" given the society for the work of volunteers add up impressively. They complained that the society turned down fund requests and they obviously think the society has too much money in the bank. Further, they complain of duplication of efforts and inefficiency in the arrangement with the society and intend to take over completely the volunteer, education and research programs the society had supported. They also intend to start a program of their own under which regular visitors can get a good deal on admissions.

There's still some talk from zoo people about finding a new role for the society, but Zoological Society officials said this week that they believe their organization is finished without the free admissions lure; also, they have no interest in simply taking on some task such as publishing a newsletter, as has been mentioned. More than likely, the society will fold up.

We think the directors of the zoo erred in a couple of ways, politically and economically.

The Minnesota Zoological Society has been the leading lobbyist for the zoo since it was merely a proposal. With the financial roof caving in on Minnesota, the zoo will need every bit of help it can get in the Legislature: it certainly has lost the enthusiastic help of the leadership of the society and we suspect the rank and file members are, at best, perplexed about what is going on. It is fine, as zoo people do, to talk about the state zoo's belonging to "4 million members" — all the people of Minnesota rather than the 12,000 or so covered by society memberships, but those thousands multiplied their influence by "talking up" the Minnesota Zoological Garden throughout the state.

The \$50,000 to \$100,000 the zoological society gives the zoo each year is not great in terms of a \$6-million budget, but it is money that comes from outside both legislative appropriations and the zoo's own fund-raising foundation. It does not seem wise to cut that off.

Both zoo and society people say they worked hard over a long time to arrive at a new agreement both could live with. They failed to find new common ground and that really is too bad.

Q/A Society Finances

Question: Where did all the dollars gained through membership fees go? I read in the paper that the Society raised over \$1 million since 1979 and gave only \$76,000 to the Zoo.

Answer: The figures given to the news media were incomplete and misleading. Correct figures, based on the Society's audited financial statements, appear in the 3-year history on the facing page. The most significant corrections are:

- (1) The actual cash receipts of the Society for fiscal years 79-80-81 were \$852,097. The \$1 million-plus figure was arrived at by including \$263,363 of non-cash volunteer service. (Volunteer hours contributed to the Zoo are valued at minimum hourly wage to offset the cost of member admissions to the Zoo.)
- (2) For the 3-year period from 1979 through the end of fiscal year 1981, the Society expended \$151,360 in direct cash support and direct Zoo program support.
- (3) An additional \$57,688 remains uncollected in a restricted account opened for the Zoo in 1980.

The correct figures from points 1-3 above show a 3-year Society income in excess of \$1 million only by adding in the value of volunteer hours.

\$ 852,097 cash receipts
 +263,363 volunteer service
 \$1,115,460

The correct figures indicated above add up to Society support to the Zoo for a 3-year total of \$472,411.

\$263,363 volunteer service
 +151,360 cash/program support
 + 57,688 Zoo account balance
 \$472,411

Even more zoo support dollars have been provided by the Society when

considering two more programs:
 (4) The proceeds of the 1981 Animal Sponsorship program in the sum of \$32,708 have been turned over to the Zoo during the current fiscal year 1982.
 (5) Some portion of the \$230,543 appearing as Procurement/Promotion for the three years must be considered as money spent in support of the Zoo, since it includes direct Zoo promotion, marketing and publicity activities at the Zoo.

Question: Has the Society denied requests from the Zoo for funds? I read in the paper that the Society has denied four such requests from the Zoo.

Answer: The Society has only once denied a request from the Zoo for use of the funds designated for them, and then the action taken was to defer approval. The Zoo requested \$11,000 of the \$42,000 that had been set aside for research and other programs. The funds were requested, however, without following the mutually agreed upon procedures to solicit applications statewide for at least 90 days prior to filling a research position. In fact, the Zoo made no attempt to solicit applications. The Society Board decided to defer action on that request until the application procedure was followed and until the Society board was in a position to know whether the Society would be in a financial position to commit to a long-term research project as requested by the Zoo.

The other three instances mentioned by Zoo staff were not denials of fund requests. They were funding requests that were incomplete or were abandoned or delayed by the Zoo board or Zoo staff. They were:

- (1) A \$10,000 request for a Zoo parade

float. The request was reduced to \$5,000 and only \$3,000 was actually needed.

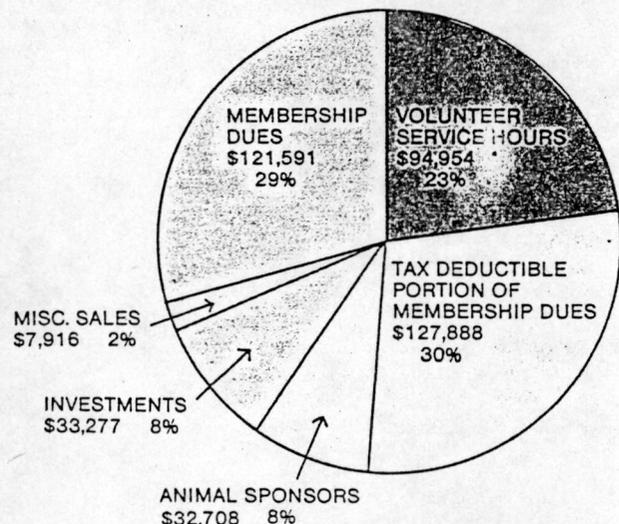
- (2) A \$5,000 request to sponsor the Minnesota orchestra performance at the Zoo. The request was abandoned by the Zoo when another source of funding was located.

- (3) An \$8,000 request for a ZooLab in the Tropics Trail. The request has been held in abeyance pending a written proposal and full plan for such a ZooLab.

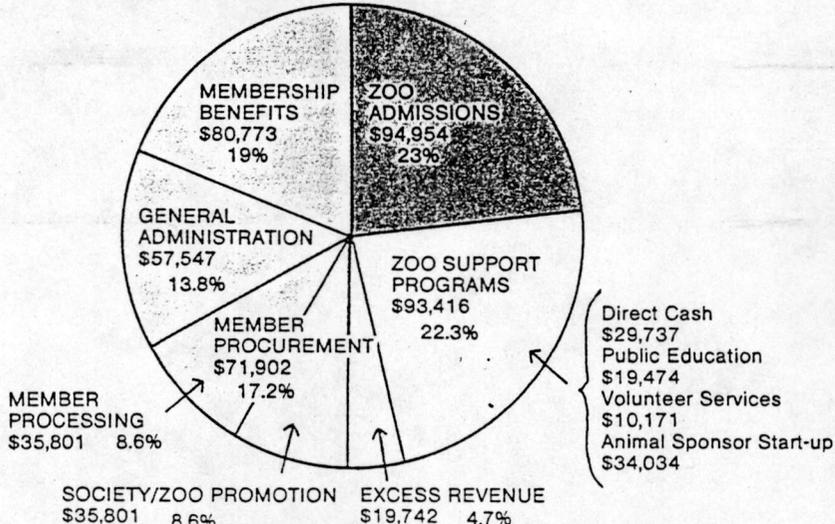
Question: Why does the Society have such a large cash operating balance? Zoo officials have been quoted in the news stating that such a large balance is unnecessary.

Answer: The Society's operating cash balance appears on the summary sheet on the facing page under "Cash Fund Balance — Undesignated". As of the end of fiscal year 1981, the undesignated cash balance was \$163,788. That represents approximately a six to nine month operating balance for the Society. Income dollars come into the Society at a very uneven rate, yet benefits have to be given to members for the full 12-months of their membership. In order to guarantee that the Society can provide full value as promised to members, the board of directors has determined that sound business judgement requires that the Society maintain a six to nine month cash balance. Interestingly, the Zoo board itself at one time recommended a one-year cash balance for the Society. The society had offered to maintain a declining level of cash reserves as the fiscal year progresses in order to make a greater amount of Society funds available for Zoo use. The offer was not accepted.

FISCAL YEAR 1981 SUPPORT AND REVENUE



FISCAL YEAR 1981 EXPENDITURES



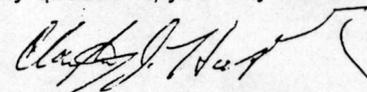
**Minnesota Zoological Society
3-Year History**

Statement of Revenue and Support, Expenses, and Cash Fund Balance

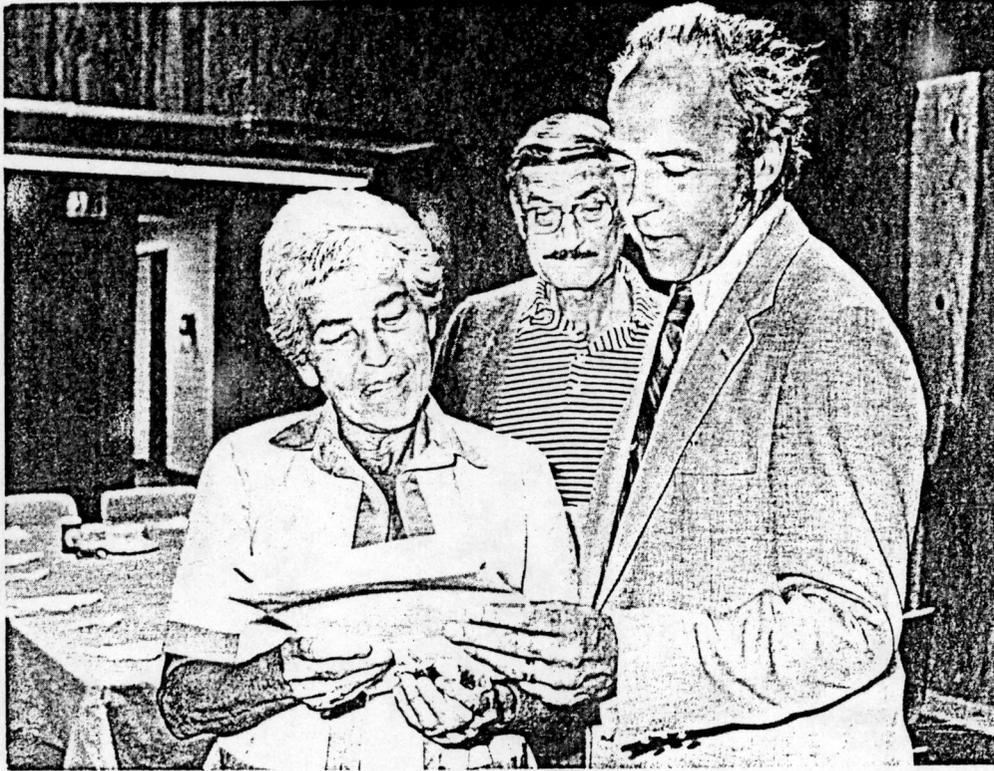
	<u>1981</u>	<u>%</u>	<u>1980</u>	<u>%</u>	<u>1979</u>	<u>%</u>	<u>Total</u>
	<u>Amount</u>		<u>Amount</u>		<u>Amount</u>		<u>Amount</u>
Income							
Revenue & Support	\$ 323,380		\$ 238,950		\$ 289,767		\$ 852,097
Volunteer Service	94,954		72,150		96,259		263,363
Hours — Non-Cash							
TOTAL REVENUE & SUPPORT	<u>418,334</u>	100.0	<u>311,100</u>	100.0	<u>386,026</u>	100.0	<u>1,115,460</u>
Expense							
Zoo Support Programs							
Public Education	19,474						19,474
Volunteer Activities	10,171		5,363		5,793		21,327
Animal Sponsorship	34,034						34,034
Direct Cash Requests	<u>29,737</u>		<u>18,975</u>		<u>27,813</u>		<u>76,525</u>
Total Support to MN Zoo	<u>93,416</u>	22.3	<u>24,338</u>	7.8	<u>33,606</u>	8.7	<u>151,360</u>
Membership Costs*							
Activities/Benefits	80,773		60,022		55,116		195,911
Zoo Admissions	94,954		72,150		96,259		263,363
Procurement/Promotion	71,902		79,311		79,330		230,543
Total Membership Costs	<u>247,629</u>	59.2	<u>211,483</u>	68.0	<u>230,705</u>	59.8	<u>689,817</u>
General Expense							
General & Admin.	55,197		63,075		57,587		175,859
Auxiliary	2,350						2,350
Total General Expense	<u>57,547</u>	13.8	<u>63,075</u>	20.3	<u>57,587</u>	14.9	<u>178,209</u>
TOTAL EXPENSES	398,592	95.3	298,896	96.1	321,898	83.4	1,019,386
Excess of Revenue & Support over Expenses	<u>\$ 19,742</u>	4.7	<u>\$ 12,204</u>	3.9	<u>\$ 64,128</u>	16.6	<u>\$ 96,074</u>
Cash Fund Balance							
Cash Designated for MN Zoo	57,688		79,425				
Animal Sponsorship Cash							
Designated for MN Zoo	32,708						
Undesignated	163,788		155,017		222,238		
Restricted	6,000		6,000		6,000		
Total Fund Balance	<u>\$ 260,184</u>		<u>\$ 240,442</u>		<u>\$ 228,238</u>		
Excess Value of Volunteer Hours (Available for future gate admissions)	<u>\$ 118,669</u>		<u>\$ 88,663</u>		<u>\$ 49,192</u>		

*This amount includes marketing, promotion and publicity activities that the Society believes provides direct benefit to the Minnesota Zoo.

The figures are taken from our statements which have been audited by our certified public accountant. The revenue, expense and cash fund balance breakdown is attached for your information and review. If you have any questions, you may contact me through the Society office at 222-1706.



C.J. Hatzenbuehler
Member, Board of Directors
Audit Committee Chairperson



Zoo director Ed Kohn presents a certificate of sponsorship to Mrs. Herta Gombrich as her husband, Walter, looks on. Mrs. Gombrich's

son, Peter, provided \$4,000 to sponsor one of the Zoo's dolphins as a birthday present for his mother.

Society donates \$32,708.

Soon the gibbons at the Zoo will be navigating through new trees partially paid for by Animal Sponsorship contributions. These trees will provide a greater opportunity for the gibbons to swing from branch to branch as they do in the wild. This type of habitat improvement is just the first of many needed projects that Animal Sponsorship contributions will help fund.

The Minnesota Zoological Society gave the Zoo \$32,708 raised from sponsorship of almost 700 animals from March 1981 through fiscal year end, May 1981.

Dolphin Sponsored.

Mrs. Herta Gombrich loves dolphins, pure and simple. For years she has been talking about her affinity for these sleek, intelligent sea creatures. So this summer when Peter Gombrich of Golden Valley needed a birthday present for his mother, he called the Animal Sponsorship Program of the Minnesota Zoological Society.

The result? A super unique Birthday gift ... sponsorship of one of the Zoo's dolphins. This special sponsorship was celebrated by a surprise birthday party for Mrs. Gombrich. It began with a behind the scenes tour led by Austin McDevitt, curator of the Ocean Trail, and concluded with a continental breakfast for the birthday delegation.

One dolphin is still available for sponsorship for \$4,000, waiting for the next dolphin fan. For information about sponsorships, call C-A-R-I-B-O-U (612) 227-4268.

A new Zoo association.

The Minnesota Zoo recently created a new association for Zoo visitors. The Minnesota Zoo Goers Association is an annual program for Zoo visitors administered directly by the Minnesota Zoological Garden. Minnesota Zoo Goers will receive:

- Unlimited free admission to the Zoo;
- Unlimited opportunity to purchase guest tickets at a 20% discount;
- A 10% discount in the Zoo gift stores.

Zoo Goers will also receive quarterly information about zoo activities and events.

For information about the Minnesota Zoo Goers Association, call the Minnesota Zoo at 432-9010.

Winter Zoo classes run hot and cold.

The Society-sponsored continuing education classes at the Zoo this winter have something to offer for both outdoor and indoor enthusiasts.

A sample of course offerings coming up soon include:

Winter Ecology for all ages.

Sunday, January 17, 1-3:30 p.m.

Member tuition: \$6.00.

Hide and Seek at the Zoo for children in grades 3-4.

Saturday, January 23, 9:30-noon.

Member tuition: \$6.00.

Fur and Feather for youth in grades 7-10.

Saturday, January 23, 1-3:30 p.m.

Member tuition: \$6.00.

Animals Senses for children in grades 3-4.

Saturday, January 30, 9:30-noon.

Member tuition: \$6.00

Underwater Animals for children in grades 5-6.

Saturday, January 30, 1-3:30 p.m.

Member tuition: \$6.00

Many more zoo and wildlife-related classes are available this winter. Advance registration is necessary for all classes. For information about these classes and others, consult your blue Learning Adventure brochure; or call the Society at 222-1706.