REPORT TO THE

UTAH LEGISLATURE

Report No. 2002-02

A Performance Audit

of

Hogle Zoo

April 2002

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A Performance Audit of Hogle Zoo

This audit of Hogle Zoo was initiated by the Legislative Audit Subcommittee in response to questions raised by Senator Michael Waddoups. In addition, members of the Audit Subcommittee also added their own questions. These questions touched on a variety of subjects to which this report provides either answers or information.

Hogle Zoo Is Not Performing Well in the Market. Hogle Zoo's Wasatch Front market share has dropped from 53 percent in 1990 to 39 percent in 2001—a 13 percent decline. This loss of market share is of particular concern given the increasing amounts of money Hogle Zoo has spent on marketing. Because of this inverse relationship, marketing costs per visitor have risen substantially; however, revenue generated per marketing dollar has fallen. Unfortunately, the cause of this market decline is uncertain but some possible causes are: poor drawing power of exhibits (most exhibits are over 20 years old) and negative publicity surrounding animal deaths.

Present Zoo Site Is Too Small. If Hogle Zoo's new master plan were implemented on the existing site, then the zoo would have a capacity of one million visitors per year within the exhibit area. If the zoo were completely renovated, we believe Hogle Zoo could reach exhibit area capacity in as little as eight years, while debt payment on the new zoo would probably take 20 years. Further, the redesigned parking area will not allow one million visitors a year. It is troubling that Hogle Zoo officials were alerted to this problem in the March 1999 master plan, yet they proceeded with master plan implementation on the current 41 acre site anyway. Based on the estimated site life and the parking constraint, we believe it would be a very poor decision to spend $80 million or more to construct on the current 41 acre site. Either significant acreage must be added to the current site or a new, larger site must be located. Certainly, significant public funding will be necessary to rebuild Hogle Zoo.

Construction of the Entryway Is a Concern. In our opinion, the action taken by Hogle Zoo board members and administrators to construct the entryway was a poor business decision. The zoo director has stated that building the entryway project would generate increased income which could support future construction of animal exhibits. However, the additional profits generated by the entryway do not compare favorably to profits generated by other options. As another point, the construction of the entryway slowed down construction of major animal exhibits. At a final cost of more than $7.7 million, the entryway project was far more expensive than the $5.8 million cost estimate. We believe such a large investment was inappropriate since the zoo was awaiting a decision regarding a possible zoo relocation from the present site.

Both Expenditures and Savings Increased upon Receipt of ZAP Funding. Hogle Zoo's total revenues are $3.9 million more in 2000 than in 1996 (one year prior to receipt of ZAP funds), while their cash expenditures in 2000 are $1.4 million higher than in 1996. Expenditure increases are largest within marketing, animal care, and administration. Since revenues increased more than expenditures, Hogle Zoo was able to save enough money to pay for the $7.7 million entryway with cash.

Maintenance and Care of Animals Have Improved. Direct animal care resources have increased historically. Since 1991, total animal care dollars increased 71.6 percent while full-time animal care employees increased 44.4 percent. Further, on a per animal basis, direct animal care expenditures have increased 147.6 percent. This large per animal increase is primarily due to Hogle Zoo's declining animal population. In addition, human-caused and facility-related death rates were high at Hogle Zoo but have improved substantially. Finally, most animal sales except for two appear reasonable.

Administrative Expenditures Are Not Alarming. Generally, administrative expenditures do not appear to be extraordinary. Overall, administrative expenditures increased $265,909 since 1996. Sixty-five percent of this increase ($174,000) comes from administrative salary expense alone; however, this is not surprising since administration is labor intensive. Part of this salary increase is attributable to an increase of 4.5 full-time employees; however, the director's salary is somewhat high. In addition, Hogle Zoo has begun to use outside consultants more, and this expense is primarily reflected in administration. Given Hogle Zoo's activities (developing a strategic plan and developing a master building plan), these expenses, for the most part, seem understandable.

Related-party Transactions Should Cease. The Hogle Zoo has entered into business contracts or agreements with both members of the zoo board (or the business they are associated with) and individual zoo employees. These types of agreements are called related-party transactions and, in our opinion, open the door for conflicts of interest. In fact, most of these agreements were not competitively purchased. Consequently, zoo officials have not been able to demonstrate that these transactions are in the best interest of the zoo. Specifically, did the zoo get the best possible service for the least possible cost?

ZAP and State Expenditures Not Known with Certainty. Hogle Zoo's expenditures of taxpayer funds are not well documented which results in poor public accountability. First, exactly how ZAP money was spent in some years is not known with certainty. Hogle Zoo has reported different uses of ZAP funds to different requesters. Second, it is also unknown how state funds were specifically used. The Department of Community and Economic Development (DCED) has never required Hogle Zoo to specifically account for the pass-through state appropriations. Nonetheless, our analysis indicates that for the five years reviewed, there were adequate and acceptable operational expenses for state appropriations to cover, even when ZAP expenditures are considered. In our opinion, Hogle Zoo should specifically account for its use of ZAP funds and state appropriations. Hogle Zoo officials agree and plan to begin specific reporting immediately.

Concessions' Overall Financial Performance Is Reasonable. Hogle Zoo's gift shop performs well financially and appears well managed. However, the gift shop's relocation within the new entryway did not produce profits in 2001 large enough to justify the investment in a new gift shop. Food services are also making a profit, but their financial performance is not as strong as the gift shop. In addition, it is possible that food services' profits will improve if outsourced to a concessionaire. Within the food services department, the zoo provides private catered events and these expenses need to be kept separately from other food services' expenses so that catering can accurately determine its profitability.

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Chapter I
Introduction

Hogle Zoo is struggling in several areas. Since 1990, Hogle Zoo has lost 13 percent of its market share with Hogle Zoo's own management consultant reporting their 1999 market share as being low. Most of the animal exhibits at Hogle Zoo are old and in need of replacement. Possibly the state of the animal exhibits has contributed to Hogle Zoo's lost market share. However, constructing new facilities on the current 41 acre site would be an unwise investment unless the current site can be substantially enlarged. Unfortunately, the construction of a $7.7 million entryway on the current site was a poor business decision. The entryway was paid for in cash saved since Hogle Zoo began receiving funds from the Zoo, Arts, and Parks (ZAP) tax.

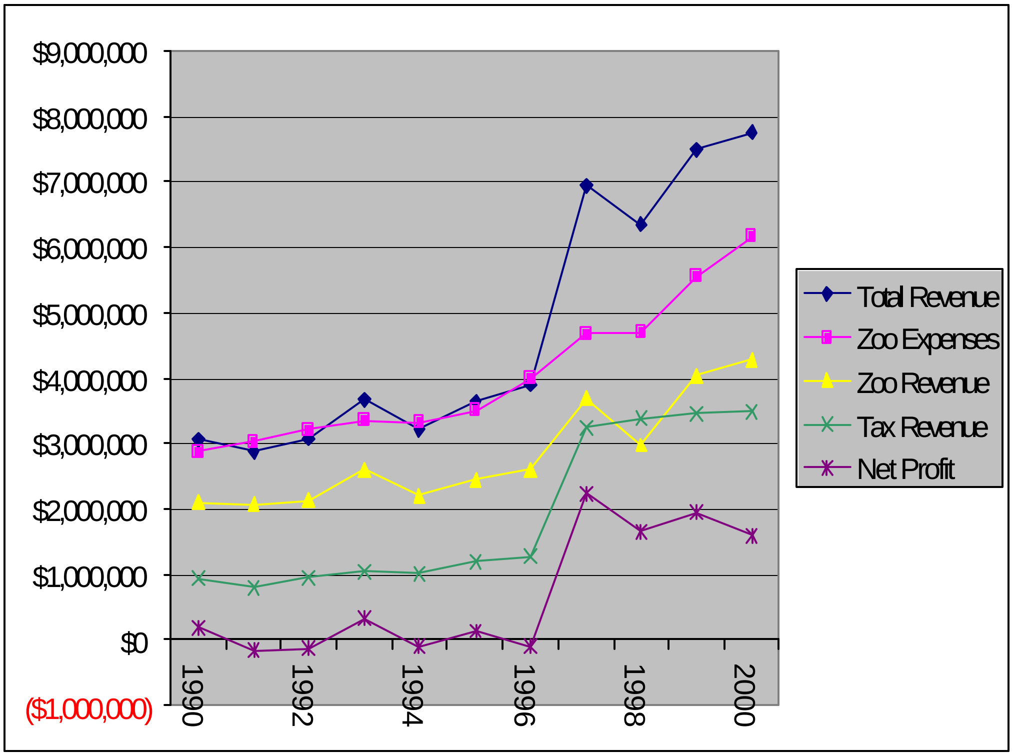
Since receiving ZAP funds, Hogle Zoo has increased expenditures in marketing, animal care, and administration. We believe the zoo's spending on animal care is appropriate and administrative salaries, overall, appear reasonable. The director's salary, however, is somewhat high. Further, related party transactions between the zoo and various board members and/or employees should cease. Hogle Zoo should also document the expenditures of taxpayers' funds better. We found the zoo concessions well managed but food services may become more profitable if they were outsourced. The body of the report discusses each of these concerns in detail as well as other areas of interest.

Hogle Zoo has seen significant increases in revenues as well as expenses. From 1990 to 2000, Hogle Zoo's total revenues increased from $3.1 to $7.8 million while total expenses increased from $2.9 to $6.2 million. The majority of this increase occurred when Hogle Zoo began receiving Salt Lake County Zoo, Arts, and Parks (ZAP) tax revenue. Since 1996 (the year just prior to ZAP funding), Hogle Zoo's total revenues increased from $3.9 to $7.8 million while total expenses increased from $3.9 to 6.2 million.

Figure 1 graphs the financial performance of Hogle Zoo. Zoo-generated revenue includes the following: gate admissions, membership fees, concession net profits, train net profit, donations, and interest. Zoo expenses include: administration, marketing, animal care, veterinary, maintenance, grounds, education, exhibits and graphics. These expenses reported are both cash and non-cash (i.e., depreciation) expenses.

While both Hogle Zoo's revenues and expenses have increased substantially over time, the growth in revenues has clearly outpaced expenses. Since 1990, zoo-generated revenues increased from $2.1 to 4.3 million in 2000. On the other hand, tax revenues increased during this same time period from $943,000 to $3.5 million.

Figure 1. Hogle Zoo's Financial Performance, 1990 to 2000.
Hogle Zoo's revenue, expenses, and net profit have increased since 1996.



In 1990, tax revenue made up 31 percent of Hogle Zoo's total revenue. By 2000, this percentage had increased to 45 percent. Certainly this increased tax support has had a positive effect on Hogle Zoo's net profits. Previous to ZAP monies, Hogle Zoo's profits averaged $23,300 per year. Since 1997, when ZAP tax monies were first received, Hogle Zoo's net profits have averaged $1.9 million per year. These net profits went primarily into savings which allowed the entryway to be paid for in cash.

Since both state and county governments have a significant investment in the operation and welfare of Hogle Zoo, the audit report recommends voting membership by both levels of government on the Utah Zoological Society, the board that oversees the operation of Hogle Zoo.

Audit Scope and Objectives

This audit was initiated by the Legislative Audit Subcommittee in response to questions raised by Senator Michael Waddoups and members of the Audit Subcommittee. The specific questions asked and addressed by the audit are as follows:

- How is Hogle Zoo performing in the market?
- Is the current location of the zoo adequate to meet future attendance demands if major remodeling of the animal exhibits occurred?
- Was the $7.7 million spent on remodeling the entryway a worthwhile expenditure?
- How has Hogle Zoo spent all the additional money received as a result of ZAP funds?
- Has animal maintenance improved with the recent funding increases?
- What is the total compensation package for the director, and is it in line with the market?
- How much money is spent on outside consulting and lobbying contracts?

- Can any related-party transactions be identified; if yes, what is the total value of these transactions over the last four years and who was involved?

- How have state and county tax dollars been used and accounted for by the zoo?

- Are concessions at the zoo managed efficiently?

In conducting this audit, two consultants were used. First, Steve Wylie, a former director of the Oklahoma City Zoo, was used to provide expertise regarding zoo operations. Second, Horrocks Engineers was used to provide an analysis of Hogle Zoo's attendance capacity.

Chapter II
Hogle Zoo Is Not Performing Well in the Market

Hogle Zoos's market performance is in decline. In fact, Hogle Zoo has lost 13 percent of its Wasatch Front market share since 1990. In March 2000, for example, Hogle Zoo's own management consultant reported Hogle Zoo's market share as being low. This loss of market share is of particular concern given the increasing amounts of money Hogle Zoo has spent on marketing and advertising. Unfortunately, the cause of this market decline is uncertain but some possible causes are: (1) poor drawing power of exhibits, and (2) negative publicity surrounding animal deaths. Certainly, the exhibits are old and dated.

The most important concern is that Hogle Zoo has lost market share since 1990. Figure 2 shows the zoo's market share over a twelve year period.

Figure 2. Zoo Admissions as a Percentage of Wasatch Front Population from 1990 to 2001. Hogle Zoo has lost market share since 1990, and zoo admissions have declined slightly since 1990.

Year	Zoo Admissions	Wasatch Front Population	Admissions to Wasatch Front Population
1990	710,025	1,335,819	53.15%
1991	716,494	1,376,000	52.07
1992	752,288	1,411,000	53.32
1993	788,579	1,443,000	54.65
1994	619,731	1,475,000	42.02
1995	657,392	1,505,317	43.67
1996	669,243	1,534,451	43.61
1997	821,458	1,566,782	52.43*
1998	640,556	1,590,561	40.27
1999	774,413	1,614,700	47.96**
2000	710,614	1,702,450	41.74
2001	689,796	1,749,383	39.43

** The 1997 attendance increase is attributed to Dinamation, a temporary exhibit and the opening of the new Primate Forest, a permanent exhibit.*
*** The 1999 attendance increase is attributed to the Komodo Dragon, a temporary exhibit.*

The zoo has experienced a 13% decline in market share over the last twelve years.

Using the Wasatch Front as the zoo's primary market, as much as 53 percent of people from the area visited the zoo in 1990. However, by 2001, only 39 percent of people along the Wasatch Front visited the zoo—a 13 percent decrease. An analysis using the entire state as the zoo's market showed a similar decline.

In their March 2000 report, Hogle Zoo's own management consultant identified Hogle Zoo's market share as being low. In making this assessment, the management consultant compared Hogle Zoo's 1999 market share to the market share of five comparable zoos around the nation. The lowest 1999 market share of the five comparable zoos was 65.3 percent and the highest was 83.6 percent. In comparison, Hogle

Zoo's 1999 market share was 50 percent as reported by the management consultant (we identified the 1999 market share as 47.96 percent.) Regardless of which market share percentage is used, Hogle Zoo's market share is low.

Uninteresting animal exhibits may contribute to the decline in market attendance.

An official at the zoo attributes this substantial market decline to exhibits which fail to attract visitors. Hogle Zoo's architect has also stated that Hogle Zoo has no must-see exhibits. As Figure 3 shows, this explanation is supported somewhat by comparing permanent exhibit additions with market share movement.

Figure 3. Hogle Zoo's Market Share Compared with Completion of Permanent Exhibits, 1990 to 2000. Hogle Zoo's market share was higher in the early 1990's when permanent exhibits were being opened.

Year	Market Share Wasatch Front	Permanent Exhibit Completed
1990	53.15%	Woodland Edge Borough Discovery Land Marsh
1991	52.07	Suni Building
1992	53.32	Discovery Land Desert Canyon
1993	54.65	
1994	42.02	
1995	43.67	Tropical Gardens
1996	43.61	
1997	52.43	Primate Forest
1998	40.27	
1999	47.96	
2000	41.74	
2001	39.43	

Certainly the market share was higher between 1990-1993 when Hogle Zoo was opening new permanent exhibits and bringing in interesting temporary exhibits (Dinamation in 1993). After 1993, however, the market share fell by 13 percent and never really recovered. In fact, the market share increases only twice after 1993: in 1997 when Primate Forest opened simultaneously with the return of Dinamation and in 1999 when the Komodo Dragon temporary exhibit was at the zoo. The second lowest market share occurred in 1998 when no new permanent exhibit was added and no temporary exhibit was acquired. Hogle Zoo's lowest market share occurred in 2001.

Negative publicity surrounding animal deaths may also contribute to the decline in attendance and market share.

In addition to the possible failure of Hogle Zoo's exhibits to attract visitors, negative publicity may have also contributed to Hogle Zoo's abrupt market decline between 1993 and 1994. Prior to the 1994 summer season, a giraffe died because of a fall. As a result, Hogle Zoo received significant negative press just prior to their peak season. This incident, coupled with a 1995 incident in which dogs got into Hogle Zoo and killed five deer, resulted in a lawsuit filed by the USDA alleging violations of the Animal Welfare Act. In our opinion, the giraffe death and the negative press that followed could certainly contribute to the sudden and significant drop in attendance and market share.

This market decline, however, is all the more significant given the increasing amounts of money Hogle Zoo has recently spent on marketing and advertising. Certainly it cannot be said that Hogle Zoo's market share is declining because marketing and advertising funds are dwindling.

Increasing Marketing Expenditures Have Not Halted Market Share Decline

Hogle Zoo's market share and attendance have fallen in spite of total marketing expenditures which have increased by $472,000 since 1991. Within these expenditures, advertising expenditures alone increased by $177,000. As a result, the marketing and advertising expenditures per attendee have risen substantially from 1991 to 2000. The revenue generated per marketing dollar expended has fallen, however.

Total marketing expenditures have increased 226 percent from 1991 to 2000. Similarly, advertising expenditures have increased 195 percent over this same time period. Inflation during this time period was 18 percent. In spite of this increased spending, the zoo has lost 10 percent of its 1991 market share with overall zoo attendance declining by 1 percent.

Figure 4 shows marketing and advertising expenditures for 1991 and 1996 to 2000 along with yearly attendance figures and estimated market share. Our expenditure analysis begins with 1991 because these were the earliest detailed financial records that Hogle Zoo still had. The 1996 to 2000 time period captures expenditure activity from one year prior to receipt of ZAP funds (1996) to all years after that point.

Figure 4. Marketing and Advertising Expenditures Compared to Market Share—1991, and 1996 to 2000. Total marketing and advertising expenditures have increased substantially while admissions and market share have decreased.

Year	Total Marketing Expenditures	Total Advertising Expenditures	Admissions	Admissions to Wasatch Front Population
1991	$209,271	$ 90,979	716,494	52.07%
1996	273,612	148,397	669,243	43.61
1997	302,180	150,082	821,458	52.43*
1998	479,825	201,075	640,556	40.27
1999	542,925	225,184	774,413	47.96**
2000	681,229	268,362	710,614	41.74

** In 1997, Primate Forest opened and Dinamation, a popular temporary exhibit, was on display.*
*** In 1999, the Komodo Dragon, a popular traveling exhibit, was on display.*

Increases in marketing expenditures have not resulted in increased attendance.

As can be seen, in spite of increased expenditures in total marketing and advertising, Hogle Zoo's admissions and market share have declined.

Because of this inverse relationship between total marketing and advertising expenditures with attendance, Hogle Zoo is getting less return on its marketing and advertising dollar. Figure 5 shows the historical marketing and advertising expenditures per attendee.

Figure 5. Marketing and Advertising Expenditures per Attendee, 1991 and 1996 to 2000. Marketing and advertising expenditures have risen substantially from a per attendee perspective.

Year	Total Marketing Expenditures per Attendee	Total Advertising Expenditures per Attendee
1991	$ .29	$ .13
1996	.41	.22
1997	.37	.18
1998	.75	.31
1999	.70	.29
2000	.96	.38

Cost of marketing per zoo attendee has increased 231 percent.

As shown in Figure 5, Hogle Zoo is now expending more on a per attendee basis for both total marketing and advertising. From a total marketing perspective, expenditures have risen $0.67 per attendee since 1991, a 231 percent increase. From an advertising perspective, expenditures have risen $0.25 per attendee, a 192 percent increase.

Marketing can also be looked at from a revenue standpoint. In other words, for every marketing dollar spent, how much did Hogle Zoo receive from the gate, from memberships, and from donations? It is these three revenue sources which should have a strong link with marketing efforts. This zoo revenue generated per marketing dollar spent has fallen from a high of $8.21 in 1991 to $5.11 in 2000 as shown in Figure 6.

Figure 6. Total Zoo Revenue Compared to Total Marketing Expense—1991, and 1996 to 2000. The revenue generated per marketing dollar spent has declined 38 percent.

Year	Total Zoo Revenue Generated	Total Marketing Expense	Revenue Dollar per Marketing Dollar
1991	$1,717,570	$ 209,271	$ 8.21
1996	2,161,634	273,612	7.90
1997	3,085,269	302,180	10.21*
1998	2,562,458	479,825	5.34
1999	3,281,608	542,925	6.04
2000	3,479,429	681,229	5.11

* *The 1997Primate Forest opened and Dinamation, a popular temporary exhibit, was on display.*

Revenue generated per marketing dollar spent has declined significantly.

As can be seen, while revenue has gone up, marketing's costs have increased at a greater rate. As a result, the revenue generated per marketing dollar expended has declined 38 percent overall.

The exact causes of Hogle Zoo's market decline are not known by us or Hogle Zoo. In fact, we believe that Hogle Zoo's management was unaware of the twelve-year declining trend in market share. This belief is supported by the board chairman's statement to us that he was unaware of the declining trend and there is also no evidence in Hogle Zoo's board minutes that the market share trend was ever discussed. Declines between the current year and the previous year were sometimes discussed at board meetings, but management generally explained the declines by citing poor weather.

In our opinion, management should have been aware of the overall declining market trend. Management should have analyzed why the decline was occurring and should have developed a strategy to address the problems. As far as we know, Hogle Zoo's management has not done this.

It is possible that Hogle Zoo's attendance and market share has eroded away because marketing is off target. It is also possible that the problem lies not with marketing but with Hogle Zoo itself. Specifically, Hogle Zoo's exhibits are attracting fewer visitors. We believe this latter possibility is strong given the age of Hogle Zoo's exhibits and the zoo's overall assessment by our zoo consultant.

Many Animal Exhibits Are Old and Dated

The animal exhibits at Hogle Zoo are generally old and unsatisfactory given what more modern zoos are doing to present their animals. In fact, many exhibits at Hogle Zoo are over 30 years old. As a result, our consultant found the displays uninspiring and antiquated. Figure 7 shows the cost and age of 17 animal displays at Hogle Zoo.

Figure 7. Cost and Age of Hogle Zoo Animal Exhibits, 1957 to 2001. Forty-one percent of Hogle Zoo's animal exhibits are 30 years old or more.

Animal Exhibit	Cost at Completion	Age of Exhibit by end of 2001
Cougar Grotto	$ 110,000	44 Years
Bear Grotto	120,000	43 Years
Penguins Cove	110,000	37 Years
Primate Building	400,000	34 Years
Giraffe Building	490,000	32 Years
Feline Building	1,030,000	31 Years
Small Animal Building	1,350,000	30 Years
Hippo Building	250,000	27 Years
Giant Animal Building	1,400,000	21 Years
Great Apes	1,040,000	18 Years
African Plains Building	55,000	15 Years
Woodland Edge Borough	275,000	11 Years
Discovery Land Marsh	75,000	11 Years
Suni Building	27,000	10 Years
Discovery Land Desert	600,000	9 Years
Tropical Gardens	430,000	6 Years
Primate Forest	966,000	4 Years

Most animal exhibits are more than 20 years old.

Forty-one percent of the animal exhibits at Hogle Zoo are 30 years old or older (built in 1971 or before) while 12 percent are between 20 to 29 years old (built between 1972 and 1981). On the other hand, 29 percent of these animal exhibits are between 10 and 19 years old (built between 1982 and 1991) while 18 percent are between 4 and 9 years old (built between 1992 and 1997).

The current exhibits are uninspiring and antiquated.

From a percentage of revenue standpoint, emphasis on animal displays appears to be declining. Between 1982 and 1991, Hogle Zoo's net profits totaled $3.1 million while expenditures on animal displays totaled $1.5 million. As a result, money spent on animal displays represented approximately 48 percent of total net profits for this time period. Between 1992 and 2000, Hogle Zoo's net profits totaled $7.5 million while expenditures on animal displays totaled almost $2 million. Thus, money spent on animal displays represented approximately 27 percent of total net profits for the 1992 to 2000 time period. Based on this comparison, it appears that Hogle Zoo emphasized animal displays more in past years than in recent years.

Our consultant's findings mirror the above information. While the animals appeared in good condition overall, our consultant found the exhibits themselves to be uninspiring and mostly antiquated. The only exhibit that our consultant thought was well done was the new Primate Forest completed in 1997. The following are some of his observations on other exhibits:

Elephant Exhibit: The dry moat around the elephant exhibit (in which elephants and rhinos are displayed) poses potential hazards. One animal could easily push another animal into the moat.

Feline House: The felines are on concrete floors and obviously caged. This is not an aesthetic or natural way to present felines. From a visitor safety standpoint, the design is poor. There is very little which prevents visitors from getting dangerously close to the large cats if that is their choice.

Polar Bear Exhibit: The exhibit is made up of a lot of concrete which is a very dated way of presenting polar bears. More modern displays allow underwater viewing of the bears.

Great Apes Exhibit: Although the outside portion of this exhibit is very natural, the exhibit is less desirable from the animal's perspective. Visitors viewing the animals from outside look down on the animals which is not the preferred viewing technique.

Given that 41 percent of the zoo's animal displays are 30 years old or more, and that our consultant rated the overall exhibits at the zoo as antiquated, we believe that many exhibits at Hogle Zoo are in need of replacement.

In our opinion, Hogle Zoo's market decline may have a strong relationship with the quality and age of the exhibits. Hogle Zoo is an organization that, historically, has struggled financially and has often requested additional tax support from the state. Certainly, tax money appears necessary for Hogle Zoo, but, at the same time, they cannot afford to allow their admissions and corresponding gate revenues to erode. It is these monies, coupled with tax support, that could potentially be used to build new animal exhibits. If Hogle Zoo's market decline does indeed stem from the age and/or quality of zoo exhibits, then it is all the more unfortunate that the money Hogle Zoo saved went to construct a new zoo entryway.

This new entryway was constructed as the first step towards implementing Hogle Zoo's new master plan. This master plan completely redesigns and rebuilds Hogle Zoo at its current location. Given the size of the current site, rebuilding the zoo there may not be a wise decision unless significant acreage can be added to the current site.

Recommendations:

1. We recommend that the Utah Zoological Society study the issues surrounding the reduction in market share, determine related causes, and develop an action plan to capture or maintain future market share.

2. We recommend that the Utah Zoological Society examine their marketing strategy and determine why increases in marketing expenditures have not been effective at increasing attendance and revenue.

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Chapter III
Present Zoo Site Is Too Small

Hogle Zoo's present 41 acre site will not be able to adequately serve Utah's growing population. The zoo's master plan, placed on the existing site, has a capacity of about one million visitors per year within the exhibit area. However, given Hogle Zoo's past market share performance, we believe Hogle Zoo could theoretically reach exhibit area capacity (i.e., one million visitors) in as little as eight years. At the same time, the cost of the new zoo would probably take 20 years to repay. Further, even if the exhibit area has the capacity for one million visitors, the parking areas will not allow one million visitors per year. It is troubling that Hogle Zoo officials were alerted to this problem in March 1999, yet proceeded with the implementation of the master plan on the current 41 acre site anyway. Based on the estimated site life and the parking constraint, we believe it would be a very poor decision to spend $80 million or more to construct the master plan on the existing 41 acre site. Either significant additional acreage must be added to the current site or a new, larger site must be located. Regardless of which alternative is chosen, significant, additional public funding will be necessary to rebuild Hogle Zoo.

Rebuilding the zoo on the existing 41 acres would be a poor use of public funds.

To help us in forming an opinion of Hogle Zoo's current site, Horrocks Engineers was hired to provide an analysis of Hogle Zoo's potential attendance capacity were the new master plan implemented on the current site. Horrocks assumed that the master plan made optimal use of the existing site. The conclusions expressed by Horrocks Engineering are based on an analysis of the master plan's walkways and viewing areas and attendance data for 2000 and 2001 which was provided by Hogle Zoo.

Probable Bond Life Exceeds Site Capacity Life

Implementation of the master plan on the current site would comfortably allow one million visitors per year within the exhibit areas. However, we believe that Hogle Zoo could be at exhibit capacity (one million visitors) in as little as eight years. The bond life, on the other hand, would probably be 15 to 20 years.

Assuming that Hogle Zoo could regain its 1990 market share (53.15%), we believe that Hogle Zoo's exhibit area could be at capacity in eight years as shown in Figure 8.

Figure 8. Possible Zoo Attendance, 2005, 2010,and 2015. Hogle Zoo's desired attendance of one million people could happen as early as 2010 if a major investment was made to rebuild Hogle Zoo.

Year	Population Projection for Wasatch Front Counties*	Possible Zoo Attendance Assuming 53.15% Market Share
2005	1,785,557	949,024
2010	2,017,404	1,072,250
2015	2,231,236	1,185,902

** These population projections are from the Governor's Office of Planning and Budget.*

The zoo would be at capacity (one million visitors per year) within eight years of renovation.

We believe the market share assumption is conservative given the experience of other zoos which merely added a new exhibit. Hogle Zoo, on the other hand, would be presenting a completely new zoo.

On the other hand, paying off the bond to construct the new zoo would probably take 15 to 20 years, given the likely size of the bond ($80 to $100 million) and the resulting bond payments (The bond payment on a 15-year $100 million bond would be $10 million a year.) Hogle Zoo does not have the financial capability to make these payments, so public support would be necessary.

Parking Capacity Does Not Allow One Million Visitors

While the exhibit area has a capacity of one million visitors, the parking area does not; even as redesigned under the master plan. In the March 1999 *Facilities Master Plan for Utah's Hogle Zoo* (the master plan), the architect states that one million visitors will require 600 more parking spaces than the master plan can provide. Our consultant confirmed the inadequate parking situation and believes it may be even worse than Hogle Zoo's architect estimated. It is troubling that, in spite of this knowledge, Hogle Zoo officials proceeded to implement the beginning stage of the master plan on the current 41 acre site.

Hogle Zoo officials knew parking would not allow one million visitors, but they began to implement the master plan anyway.

In March 1999, Hogle Zoo's own architect reported that parking, as redesigned and shown in the master plan, was inadequate to allow one million visitors a year. Specifically the architect states:

> *Moreover, the zoo's long-term attendance goal of 1 million annual visitors will .... generate a structural demand of 2000 guest spaces --- 600 short of what the zoo can assemble now. Increased attendance, coupled with increased staff and a bid for increased visitor length of stay, promise to make a difficult parking picture more so. The zoo could benefit from a comprehensive study of its parking dynamics.*

Our traffic consultant also reached the conclusion that parking was inadequate to allow visitation of one million people a year. In performing their analysis, our traffic consultant made the following assumptions based on information provided by Hogle Zoo:

- The length of visit will increase from three hours to four hours.
- The average number of people per vehicle is 3.5.

Our traffic consultant estimates that an additional 830 parking stalls are necessary to allow one million visitors.

Based on these assumptions and then developing a model of Hogle Zoo's visitation patterns, our consultants' analysis indicates that 2,300 parking stalls would be needed to serve peak demand when annual attendance reaches one million. The new master plan, however, provides a total of only 1,470 parking stalls. This figure includes 900 on-site stalls which are the most desirable plus 570 spill-over stalls which are far less desirable. Assuming visitors stay four hours, 1,470 parking stalls will allow approximately 680,000 visitors a year. In order to allow one million visitors to stay four hours at the zoo, our consultant's analysis indicates an additional 830 stalls would be necessary.

In spite of the recommendation by Hogle Zoo's architect to study the parking dynamics, Hogle Zoo's officials did not do this. Instead, they proceeded to implement the master plan on the current site by constructing the entryway and resurfacing the parking areas. In addition, they also tried to obtain public funding for implementation of the master plan. During the 2000 Legislative session, Hogle Zoo's lobbyists tried to pass a measure which would have allowed an increase in Salt Lake County's sales tax. This additional sales tax would have allowed Hogle Zoo to implement the master plan and would have been in addition to the ZAP tax monies Hogle Zoo already received.

Based on the estimated site life and the parking constraint, we believe it would be a very poor decision to spend $80 million or more to construct the master plan on the existing 41 acre site. Either significant additional acreage must be added to the current site or a new, larger site must be located.

Two Alternatives Should Be Explored

Given our opinion that rebuilding on the current 41 acre site is unwise, there are two other building alternatives: (1) rebuild Hogle Zoo at the existing location after enlarging the current 41 acre site; or, (2) rebuild the zoo at another location. Based on what little is known, our analysis of the two alternatives follows.

Enlarge the Current 41 Acre Site and Rebuild. In our opinion, this alternative is a possibility; however, we are not sure how likely or reasonable it is. The only significant acreage that could potentially be annexed to the current zoo site lies to the north across Sunnyside Avenue. This property is currently a part of *This Is the Place State Park* and is owned by the state. According to our traffic consultant, if Salt Lake City were willing, Sunnyside Avenue could be narrowed considerably and re-routed north of the state property in question, allowing the current zoo site and the state property to become contiguous.

The amount of acreage that should be annexed to the zoo to make this alternative reasonable is unknown. If the zoo wanted to provide all on-site parking for one million visitors, then acreage for 1,400 parking spaces (2,300 parking spaces required minus the 900 parking spaces already provided by the master plan) would be necessary. Based on information provided by our traffic consultant, these 1,400 parking spaces alone would require 11 acres of additional space. Beyond the 11 acres for parking, we believe the zoo would need significant additional acreage for exhibits and walkways which could accommodate the future demand.

One alternative: The zoo can rebuild on the current site if land adjacent to the zoo is acquired.

While this alternative is a possibility, there are two large unknowns. First, it is unknown if the state would be willing to allow annexation of a portion of the property currently a part of *This Is the Place State Park*. Second, it is unknown if Salt Lake City would allow the narrowing and re-routing of Sunnyside Avenue. Neither of these possibilities have been explored by Hogle Zoo.

If Hogle Zoo's current site could be significantly enlarged, another concern with the present site (i.e., the slope of the site) could perhaps be minimized. Given the size of the current site, it is hard to get away from some of the steep slopes. Our traffic consultant believes that the new master plan does a good job of minimizing the impact of the slope on visitors. However, some 16 to 25% slopes still exist which exceed the maximum grade for handicapped facilities (8% grade.) The consultant believes the slope of the current site will always make a visit to the zoo difficult for visitors with strollers or handicaps. If the current site could be expanded, then slope might cease to be a concern.

However, annexing land north of Hogle Zoo and allowing that land to become contiguous with the present site by narrowing and re-locating Sunnyside Avenue could pose another problem. Specifically, if this were done, it is possible that the entryway and the parking would be badly located within this new, much larger piece of property. While significantly expanding the present site may be a reasonable alternative to consider, there are many unanswered questions (i.e., what is a reasonable attendance goal) and the zoo needs to do more planning. Probably this alternative would be the most constraining in terms of potential acreage available.

Build the Zoo on a New Site. If the current site cannot be enlarged, then we believe that a new site should be selected for the zoo. The Future Zoo Task Force did identify some sites in Salt Lake County that could be considered. However, the current availability of any of the sites is unknown. It is also unknown what Salt Lake City's response would be were the zoo to move outside the city limits. Salt Lake City has title to the land, the buildings, and the animals.

Second alternative: The zoo can rebuild on a new and larger site.

In addition, another significant unknown impacting these alternatives is project cost. The architect's estimate for implementing the master plan on the current site was $80 million, expressed in 1999 dollars. On the other hand, Hogle Zoo's board minutes contain estimates ranging as high as $250 million were the zoo to move.

In an effort to provide some information as to what bond payment amounts Hogle Zoo might face, a bond expert was asked to calculate the bond payment schedule under four scenarios: a $100 million revenue bond paid over 15 years; a $100 million revenue bond paid over 20 years; a $300 million revenue bond paid over 15 years; and, a $300 million revenue bond paid over 20 years. We chose these amounts as representing reasonable ranges between which the actual costs to rebuild Hogle Zoo might fall. The yearly payment amounts under the four scenarios are shown in Figure 9.

Figure 9. Yearly Bond Payment Amounts Under Four Scenarios. Hogle Zoo would be unable to make these bond payments without public support.

Scenario	Yearly Payment Amount
$100 million over 15 years	$10,084,000
$100 million over 20 years	8,747,000
$300 million over 15 years	30,231,000
$300 million over 20 years	25,405,000

As can be seen, the yearly bond payment amounts under all four scenarios are substantial. Based on Hogle Zoo's current financial performance, it is clear that Hogle Zoo could only pay a small portion of the annual payment, perhaps only as much as $1.5 to $2 million a year. Thus, if

Rebuilding the zoo, regardless of where, would require public funding.

Hogle Zoo rebuilds and bonds for $100 million or more, public support will be necessary to help pay off the bond.

The bond scenarios presented in Figure 9 are based on the assumption that Hogle Zoo rebuilds all at once. If Hogle Zoo remains on the current site, presumably because additional acreage was annexed to the current site, it is possible that Hogle Zoo officials might choose to rebuild the zoo a few exhibits at a time. The zoo's current financial reports indicate that Hogle Zoo may have sufficient profit to support a $15 million bond which could be paid off over a fifteen-year time period, assuming ZAP and state funding continue at their present funding levels. According to the zoo's master plan, this level of investment could support the building of four core exhibits or one anchor exhibit. However, under this scenario it would take more than 30 years to rebuild the zoo. Given the current state of the animal exhibits, this may not be a wise alternative.

In summary, based on the comparison of the site life to the probable bond payoff life as well as the parking constraint on attendance, it is our opinion that the new master plan should not be built on the current 41 acre site. If significant acreage could be added to the current site then implementing the master plan at the current location could become a reasonable decision. If acquiring significant, additional acreage is not possible, then a new, larger site should be located. These plans would require an investment of between $80 and $200 million of public funds.

In our opinion, zoo leadership did not appropriately analyze the site constraints and showed poor judgement in pursuing a significant level of taxpayer funding before the master plan building decision had been adequately analyzed and shown to be a wise investment of taxpayer money. In addition, the decision to construct the entryway before a site analysis was completed also concerns us.

Recommendations:

1. We recommend that Hogle Zoo spend no further public funds rebuilding or constructing facilities (other than maintenance) on the present 41 acre location.

2. We recommend that Hogle Zoo officials determine what size of site is necessary to adequately serve Utah's future population. At a minimum, this analysis should include:

   - An estimated number of yearly visitors Hogle Zoo could reasonably expect over the next 20 years, given a major renovation or rebuilding of Hogle Zoo.

   - The number of acres necessary to serve the yearly visitors within the exhibit area.

   - The number of parking spaces required to serve the yearly visitors and the acreage these parking spaces require.

   - The exhibits that Hogle Zoo wants to display and the acreage required.

3. We recommend the Utah Zoological Society, the Legislature and local governments identify the most beneficial location (either by expanding the present site or identifying a new site)and funding sources (both public and private) for zoo facilities.

Chapter IV
Construction of the Entryway Is a Concern

We believe that construction of the entryway was a poor business decision.

It is our opinion that the action taken by Hogle Zoo board members and administrators to construct the entryway project was a poor business decision. At a final cost of more than $7.7 million, the entryway project was far more expensive than the $5.8 million cost estimate. We believe such a large investment was inappropriate because the zoo was awaiting a decision regarding a possible zoo relocation from the present site.

Our review of board minutes indicates that zoo officials committed to the construction of the entryway project in late 1999. At the same meeting the question of relocating the zoo became an issue. In fact, the board members committed to moving forward with construction of the entryway project while, at the same time, approving funding for a committee to study the relocation of the zoo. On December 20, 1999, the board discussed the relocation of the zoo and recommended forming a committee to do an exhaustive investigative study of possible sites. In conjunction with this discussion, the following question was presented: how does this (possible relocation) affect the construction of the entry-way project? The zoo director then presented the following three strategies to the board:

> *1) We are dealing with a political system here which can go any way ... We can't stop dead in the water, so <u>we go ahead</u>.*
> *2) Proceed cautiously - don't stop the construction, but do <u>proceed cautiously</u>.*
> *3) Take a very drastic approach, put our faith in ... [a legislator], and <u>stop everything</u>*

Hogle Zoo's board committed to study the zoo move and build the entryway at the same meeting.

At this meeting, the director noted that it was possible for the zoo to stop entryway site preparation work and wait for the relocation decision. In reference to stopping the entryway construction project, the director stated that the zoo was currently committed to renovating the train which was viable regardless. He also stated that they could make changes to the flamingo pond to bring it back to its former state. Nevertheless, the zoo board decided to fund the relocation committee and proceed cautiously on the construction of the entryway.

We believe the zoo had ample opportunity to stop the construction of the entryway project at a minimum cost to the zoo and wait for a final determination on the relocation. First, the entryway construction contract was not signed until July 2000 (6 months after the board agreed to proceed cautiously). Second, in 1999 the zoo's entire investment in the entryway project was minimal---less than $27,000. In our opinion, any expenditure on the entryway project after the December 1999 board meeting and prior to a final decision regarding the relocation of the zoo amounts to an unwise business decision.

Hogle Zoo's board believes the entryway will increase money available for new animal exhibits.

However, zoo officials disagree and have given us different reasons why they believe the determination to build the entryway was appropriate. Zoo officials maintain that the entryway project will increase revenue which, in the future, can be spent on construction of animal exhibits. Other zoo officials state that the entryway was a reasonable place to start remodeling and that the entryway was recommended as the starting point by their architect. Further, two board members reported that building the entryway was a more logical approach than building animal exhibits because, if the zoo relocated to another site, the entryway would have more alternative uses than any animal exhibit. Finally, one zoo board member stated that the entryway was built because, initially, so many board members were opposed to the idea of moving the zoo.

Regardless of this information, it is still our opinion that the entryway should never have been built until the question of relocation was resolved. Given this conclusion, the following analysis is a moot point—but further demonstrates concerns we have regarding the construction of the entryway project if relocation was not an issue. The justifications given by the zoo officials and board members to build the entryway are questionable because of the following concerns:

- The decision does not appear financially strong.
- The decision takes funding from construction of animal exhibits.

Construction of the Entryway Was a Questionable Financial Decision

The entryway should not have been built.

We believe the decision to build the entryway was not the best option from a financial perspective. The zoo director stated that building the entryway project would generate increased income which could support future construction of animal exhibits. However, the additional revenue and net profits generated by concessions do not compare favorably to revenue and profits generated by other options.

We estimated additional revenue and profit the zoo could realize for three different assumptions: build the entryway, build two core animal exhibits, or conservatively invest the construction funds. Figure 10 indicates the estimated additional revenue and projected additional net profit (over a three year period) for each of the investment options.

Figure 10. Estimated Revenue and Projected Net Profit for Three Investment Alternatives. Building the entryway produced the least net profit of the three options.

Investment Alternatives	Estimated Additional Revenue (Over 3 Years)	Estimated Additional Net Profit (Over 3 Years)
Build Entryway	$ 683,000	$ 192,000
Build Two Core Exhibits*		
- Low Estimate: 9% Attendance Increase**	1,460,000	356,000
- Average Estimate: 15% Attendance Increase**	2,217,000	713,000
Three Year Bank Note	696,000	696,000

** Estimating one exhibit built by year 2001 and a second by 2003.*
*** Estimates taken from three other zoos who have recently built major exhibits.*

Financial analysis indicates entryway construction was a poor decision.

Figure 10 indicates that an investment of $7.5 million dollars in bank notes (over 3 years) would result in a significantly higher additional profit than that obtained from constructing the entryway project. Further, investing in bank notes would provide the flexibility to use the funding for other purposes if the zoo relocated. However, the best decision from a financial standpoint (assuming zoo relocation was not an issue) would be to build new animal exhibits.

Our consultant, a zoo expert, believes that the construction of the entryway will not generate an increase in attendance. This belief appears borne out by Hogle Zoo's 2001 attendance. In 2001, 689,796 people visited the Hogle Zoo, a 3 percent decline from the 2000 attendance level. Ironically, the construction of the entryway could raise the expectations of visitors which, given the present condition of many of the exhibits, may result in a negative impact upon the zoo. In our consultant's opinion, Hogle Zoo should never have put the entryway before construction of animal exhibits—given their condition and also because of Hogle Zoo's declining market.

On the other hand, we believe that building several core exhibits would significantly increase attendance. Using a conservative estimate of a 9 to 15 percent increase in attendance (based on data our consultant provided) results in larger increases in revenue and profit. Building new animal exhibits makes sense because existing animal exhibits are old and, in our opinion, contribute to Hogle Zoo's declining market share. In comparison, construction of the entryway increases only concession sales while construction of animal exhibits increases both gate attendance and concession sales.

Entryway construction obligated money that could have been spent on animal needs.

Consequently, from a financial perspective, we believe the construction of the entryway before animal exhibits was a poor decision. Further, we believe such a significant investment in the entryway project may make it far more difficult for the board and zoo administrators to openly consider any potential zoo relocation. Finally, as some board members stated, the zoo is all about animals, not people. The entryway is a people facility where the exhibits demonstrate interest in the animal care. It is clear from zoo board minutes that some board members understood the importance of doing something for the animals, yet, in the end, the board failed from the animal perspective.

Construction of the Entryway Impedes Animal Exhibits

Assuming the decision was not to relocate the zoo, we believe the construction of the entryway slowed down construction of major animal exhibits. The board minutes have numerous references to the importance of constructing an animal exhibit concurrent with the entryway. The November 1999 board minutes reflect the following remarks:

> *This zoo needs to represent to the community that we will be doing major improvements for the animals concurrently with the Entry Complex---the people side and the animal side.*

Again, in May 2000, the following comments are reported in the minutes:

> *The Elephant Encounter is currently in the value engineering phase and is going to be a signature exhibit at the current cost of $4.8 million. It will show that we are serious about improving the Zoo on the animal side as well as on the people side.*

However, by July 2000, the costs of the entryway project had increased and some doubt was expressed at the board meeting about building the elephant exhibit.

> *The Entry really focuses on visitors, but our real mission is animal care, animal care, animal care. Entry project construction has a rather short time line of 10 months, and will cost $5.8 million. Elephants is all custom design, with a 16-18 month construction phase and a cost of $5 million. We initially conceived Elephants as a $3.5 million fix-up, but this has changed as the design phase proceeded. We are doing some things that no one in the country is doing. According to the models we have right now, we don't have enough money to do both entry and elephants...... By September meeting we will need to be looking at related issues.*

Very little was discussed in subsequent board meetings about constructing the new elephant exhibit until February 2001, when it was officially decided to put the elephant project on hold. The board minutes state the zoo needs to find out where they are on relocating the zoo before going any further.

We agree with the board's decision not to build an animal exhibit until the relocation issue is resolved. However, it appears inconsistent that the board would stop the construction of an animal exhibit to wait for a relocation decision when, in December 1999, they took quite the opposite position regarding construction of the entryway project.

Board representation needs to be changed to reflect the interests of government.

The zoo board has decision-making authority over an increasing amount of taxpayer funds. Both Salt Lake County (through the ZAP tax) and the State of Utah (through legislative appropriations) contribute around 45 percent of the total zoo revenue available to cover operational costs. We believe that both government entities should have voting representation on the zoo board and be involved in future decisions regarding prioritizing construction projects and relocation plans. Such participation is important and would provide much needed public accountability as well as improve communication among all parties involved.

Recommendations:

1. We recommend the Utah Zoological Society (the board) do a more complete analysis for future projects and ensure the project is consistent with the future needs of the zoo.

2. We recommend that the Legislature, local government, and the Utah Zoological Society take action to ensure that both the general board of the Utah Zoological Society, as well as its executive committee, have voting representation from all levels of government.

3. We recommend that the Legislature, local government, and the Utah Zoological Society make the government representation on the executive committee proportionate with the amount of government revenues to total zoo revenue available for zoo operations.

Chapter V
Both Expenditures and Savings Increased upon Receipt of ZAP Funding

Hogle Zoo's total revenues are $3.9 million more in 2000 than in 1996 (one year prior to receipt of ZAP funds), while their cash expenditures in 2000 are $1.4 million higher than in 1996. Expenditure increases are largest within marketing, animal care, and administration. Since revenues increased more than expenditures, Hogle Zoo was able to save enough money to pay for the $7.7 million entryway with cash.

This chapter generally addresses how Hogle Zoo has spent the additional revenues generated primarily from receipt of ZAP money beginning in 1997. Chapter VI addresses animal care expenditures and other animal care issues in more detail while Chapter VII addresses administrative expenditures in more detail.

Marketing, Animal Care, and Administration Received Largest Expenditure Increases

Seventy-five percent of additional expenditures was spent in marketing, animal care, and administration.

In calendar year 2000, Hogle Zoo spent $1.4 million more in cash than was spent in calender year 1996 (one year prior to receipt of ZAP funds). Seventy-five percent of the additional $1.4 million was spent in marketing, direct animal care, and administration. Specifically, marketing received 29 percent of this increase while animal care and administration received 27 and 19 percent, respectively. Because of the different allocations, marketing now represents a larger percentage of total cash expenditures than it did in 1996, while animal care represents a smaller percentage. Administration, as a percentage, declined slightly.

When reviewing how Hogle Zoo has spent its money, we believed that it was important to focus on on-going cash expenditures and we analyzed these expenditures in the following categories:

- administration
- marketing
- animal care

- maintenance
- grounds
- other - This category includes education, graphics, exhibits, and docents.

Since this analysis focused only on cash expenditures, depreciation expenses are not included. Depreciation is normally carried in animal care and administration categories. In addition, a 1997 one-time Dinamation expense of $372,408 was also removed from this analysis. This expense had been reported in administration. Finally, concession expenditures are not included in this analysis because this profitability is discussed later in the report.

The following is a brief explanation of each of the expenditure categories:

- **Administration.** This category covers administrative personnel (e.g., the director, the assistant director, human resources manager, financial manager), gate personnel, and security guards. In addition, most contracted services are reported here.

- **Marketing.** This category covers marketing and development personnel, advertising, and membership campaign costs.

- **Animal Care.** This category covers animal handler and veterinary personnel. Animal feed, supply and hospital costs are also reported here.

- **Maintenance.** This category covers all maintenance personnel, maintenance supplies, and utilities.

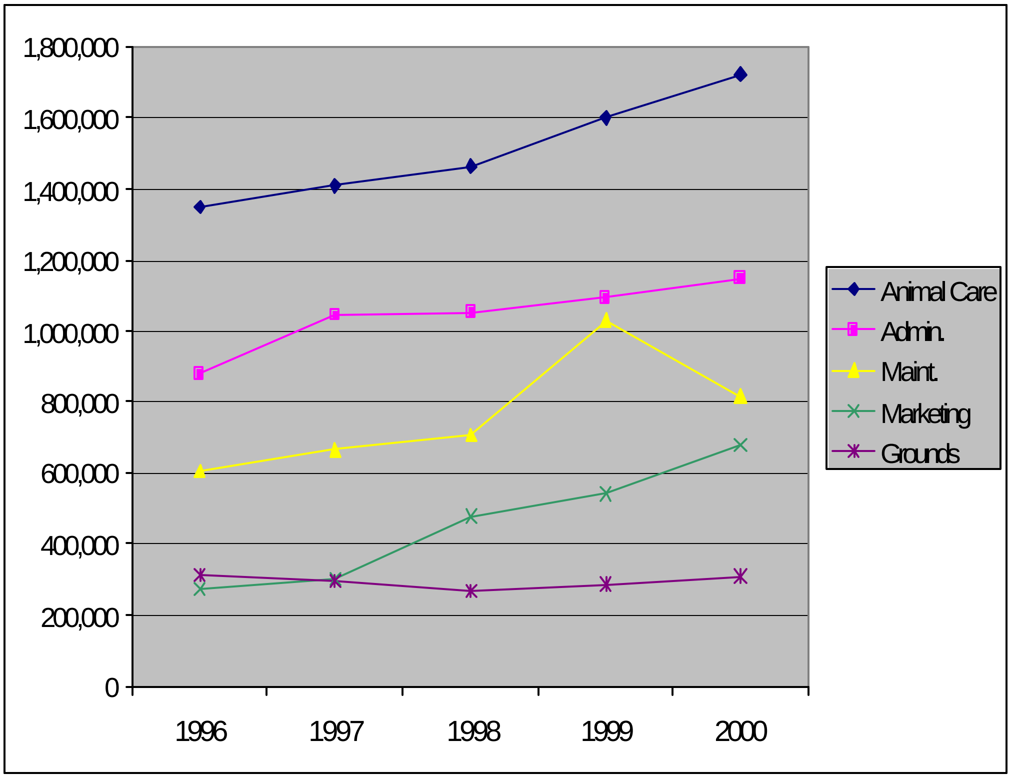
- **Grounds.** This category covers all grounds maintenance personnel and grounds maintenance supply costs.

- **Other.** This category covers all other zoo expenditures which include education, graphics, exhibits, and docents.

We focused on three categories: administration, marketing, and animal care. Administration and marketing represent the bulk of administrative overhead while animal care (which includes veterinary) represents the bulk of direct animal care. This focus was taken because of concern that animal care has perhaps been negatively impacted by excessive administrative expenses. Figure 11 shows historical cash expenditures in the various categories. The "other" category is not shown here for the sake of clarity.

Figure 11. Historical Marketing, Administration, and Animal Care Expenditures—1996 to 2000. Hogle Zoo's cash expenditures have increased, particularly in marketing.

Cash expenditures increased by 39 percent ($1.4 million) from 1996 from 2000.



In 2000, $1.4 million more was spent than in 1996—a 39 percent increase in cash expenditures. The allocation of this additional $1.4 million among the expense categories is shown in Figure 12.

Figure 12. Allocation of the Additional $1.4 Million by Category, 1996 and 2000. Administration, marketing, and animal care account for 75% of the additional $1.4 million in expenditures.

	1996	2000	Additional Dollars Spent (1996 to 2000)	% Additional Dollars (1996 to 2000)
Administration	$ 881,669	$1,147,578	$ 265,909	19%
Marketing	273,605	681,229	407,624	29
Animal Care	1,349,981	1,724,688	374,707	27
Maintenance	604,694	814,682	209,988	15
Grounds	314,705	308,250	(6,455)	(1)
Other	218,414	371,570	153,156	11
Total	**$3,643,068**	**$5,047,997**	**$1,404,929**	**100%**

As shown in Figure 12, administration, marketing, and animal care received 75 percent of the additional dollars spent.

While total cash expenditures increased 39 percent between 1996 and 2000, administration increased 30 percent; marketing increased 149 percent, while animal care increased 28 percent. As a result of the expenditure allocations, expenditure categories changed as a percent of total cash expenditures. Specifically, marketing increased from 8 percent of total cash expenditures in 1996 to 14 percent in 2000; animal care fell from 37 percent of total cash expenditures in 1996 to 34 percent in 2000; and, administration fell slightly from 24 percent in 1996 to 23 percent in 2000.

Animal care and administration allocated most of their additional monies to salaries and benefits.

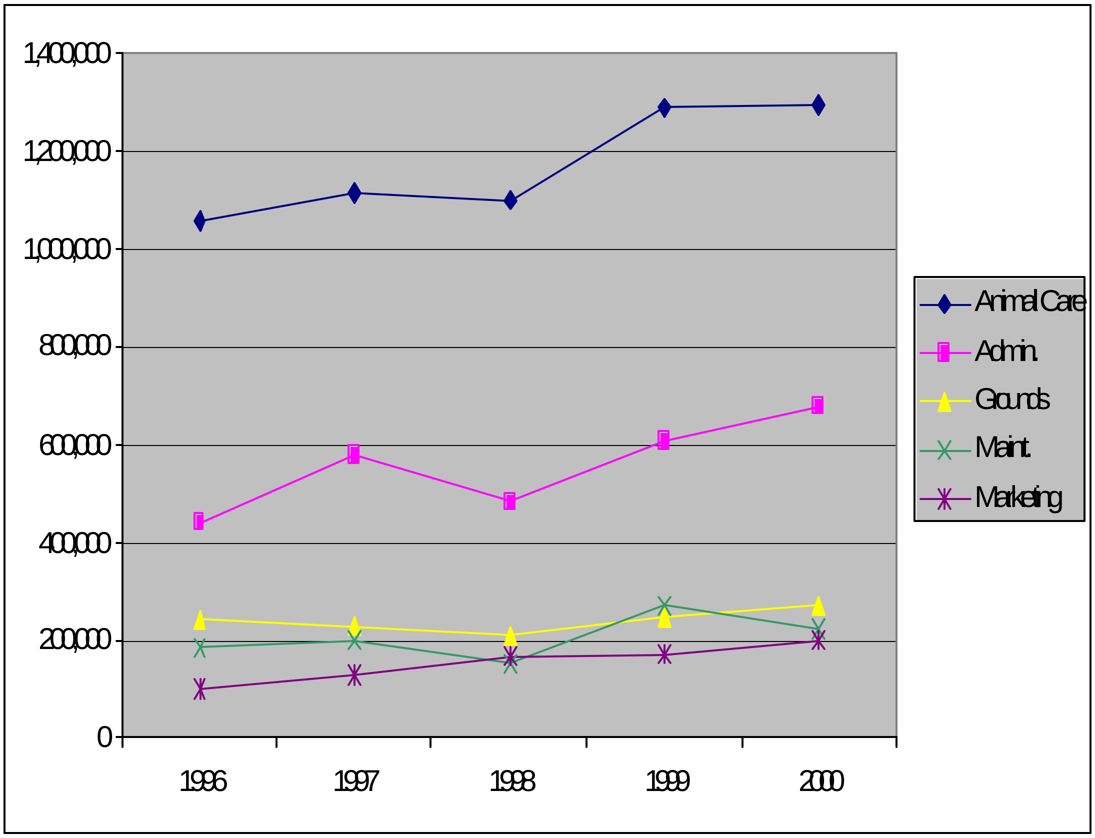
While these represent the categories in which the additional money was spent, it is also true that much of the additional money went into salaries and benefits.

Over Half of the Additional Expenditures Went to Salaries and Benefits

Of the additional $1.4 million spent by the zoo in 2000, $719,000 (51%) was for salaries and benefits. Animal care and administration received the largest percentages of the additional salary and benefit monies. Figure 13 shows historical salaries and benefits by category. The "other" category is not shown here for the sake of clarity.

Salaries and benefits have increased over time in most expenditure categories.

Figure 13. Historical Salaries and Benefits by Category, 1996 to 2000. Salaries and benefits have increased in most categories.



As shown above, salaries and benefits in most expenditure categories increased over time. In calender year 2000, total salaries and benefits represented 58 percent of Hogle Zoo's operating budget. This percentage is considered reasonable within a zoo. As seen in Figure 13, the bulk of salaries and benefits is contained within animal care and administration. Figure 14 shows, by category, how the additional $719,000 in salaries and benefits was spent.

Figure 14. Allocation of Additional Salary and Benefit Dollars, 1996 and 2000. Administration, marketing, and animal care account for 79% of the additional salary and benefit monies.

	1996	**2000**	**Additional Salary & Benefits Dollars (1996 to 2000)**	**% Additional Dollars (1996 to 2000)**
Administration	$ 443,217	$ 677,439	$ 234,222	32%
Marketing	101,713	200,361	98,648	14
Animal Care	1,,056,239	1,293,622	237,383	33
Maintenance	185,337	225,286	39,949	6
Grounds	240,720	271,680	**See Note**	**See Note**
Other	158,382	267,155	108,773	15
Total	**$2,185,608**	**$2,935,543**	**$ 718,975**	**100%**

Note: *Although historically grounds' salaries have increased, the total grounds expenditures have declined since 1996. Thus, grounds did not positively contribute to the $1.4 million increase. As a result, the increase in grounds salaries should not be counted as additional salary and benefit monies but rather as a percentage adjustment within total expenditures.*

Seventy-nine percent of the additional salary and benefit money went to animal care, administration and marketing.

As shown above, administration, animal care, and marketing account for 79 percent of the additional salary and benefit expenditures. Specifically, 33 percent went to animal care; 32 percent went to administration; and, 14 percent went to marketing.

In terms of spending the additional money on salaries and benefits, there were differences among the categories as shown in Figure 15.

Figure 15. Percent of Additional Money Dedicated to Salary and Benefits. Only marketing and maintenance spent less than half of their additional money on salary and benefits.

	Additional Dollars Spent (1996 to 2000)	Additional Salary & Benefits Dollars (1996 to 2000)	% Additional Money Dedicated to Salary and Benefits
Administration	$ 265,909	$ 234,222	88%
Marketing	407,624	98,648	24
Animal Care	374,707	237,383	63
Maintenance	209,988	39,949	19
Grounds	(6,455)	---	---
Other	153,156	108,773	71
Total	**$1,404,929**	**$ 718,975**	**51%**

Administration and animal care each devoted over 50 percent of their additional money to salaries and benefits.

As seen in Figure 15, administration and animal care each devoted over 50 percent of their additional money to salaries and benefits. This is not surprising since expenses in both categories are primarily personnel related. On the other hand, marketing devoted less than 25 percent of its additional monies to salaries and benefits. The "other" category is high because two additional employees were added to the education section.

In summary, zoo expenses increased $1.4 million between calendar year 1996 and 2000. From a categorical expenditure perspective, 75 percent of the additional expenditures went to marketing, animal care, and administration. Also true is the fact that over half of these additional expenditures are salary and benefit expenses. While marketing only devoted 24 percent of its additional money to salaries and benefits, administration and animal care devoted 88 and 63 percent, respectively. In our opinion, the latter two percentages are not alarming since those categories are labor intensive.

While Hogle Zoo is now spending $1.4 million more money than in 1996, they have also saved a significant amount of money as well.

The New Entryway Was Paid for in Cash

Hogle Zoo's cash position increased by $3.5 million since 1996. It is this large increase in cash which allowed the new $7.7 million entryway to be paid for entirely in cash. Figure 16 shows the changes in Hogle Zoo's cash position since 1990.

Figure 16. Changes in Hogle Zoo's Cash Position as Reported in Hogle Zoo's Audited Financial Reports, 1990 to 2000. Hogle Zoo's cash position significantly increased upon receipt of ZAP funds in 1997.

Year	Ending Cash Balance
1990	$ 248,100
1991	19,554
1992	30,538
1993	256,163
1994	433,696
1995	466,642
1996	40,224
1997	942,103
1998	2,026,533
1999	4,120,302
2000	3,563,500

After ZAP funding, Hogle Zoo's cash position averaged $2.7 million.

Before ZAP funding, Hogle Zoo's cash position averaged $213,600. After ZAP funding, Hogle Zoo's cash position has averaged $2.7 million. Further, expenditures for the new entryway began in year 2000. In spite of cash expenditures of $3.6 million in 2000 (primarily for the entryway), Hogle Zoo's cash position fell by only $557,000. In other words, Hogle Zoo's cash position is very strong. The remaining entryway expenditures will come through in 2001.

Chapter VI
Maintenance and Care of Animals Have Improved

Direct animal care resources have increased historically. Hogle Zoo now devotes more dollars and human resources to animal care. In addition, human-caused and facility-related death rates were high but have improved substantially. Further, most animal sales except for two appear reasonable.

In making this analysis, we reviewed Hogle Zoo's operating and veterinary budgets in 1991 and from 1996 to 2000. These budgets and expenditures were chosen because we believe these budgets provide the best evidence of direct animal care. Specifically, the operating budget includes all the handler's salary expenses, all animal feed expenses, and all animal care supply expenses. The veterinary budget includes all veterinary salary expenses and all animal health supply expenses.

Direct Animal Care Resources Have Increased

Animal care cash expenditures increased 71.6 percent between 1991 and 2000.

While animal care expenditures did decrease slightly as a percent of total cash expenditures between 1991 and 2000, total animal care dollars increased 71.6 percent. Further, on a per-animal basis, direct care expenditures increased 147.6 percent over this same time period. This large per-animal increase is primarily due to Hogle Zoo's declining animal population. In addition to dollar increases, the number of full-time employees (FTEs) devoted to animal care increased 44.4 percent.

Figure 17 compares direct animal care expenditures for 1991 and 1996 through 2000 with total on-going cash expenditures (Cash expenditures include all expenses with the exception of depreciation.)

Figure 17. A Comparison of Direct Animal Care Cash Expenditures to Total On-going Cash Expenditures—1991 and 1996 through 2000 (Expressed in Thousands.) Total direct care dollars have increased historically but have fallen as a percentage of total cash expenditures.

	1991	**1996**	**1997**	**1998**	**1999**	**2000**
Operating	$ 942	$1,246	$1,296	$1,301	$1,426	$1,535
Veterinary	63	104	112	164	171	189
Direct Care Total	**1,005**	**1,350**	**1,408**	**1,465**	**1,597**	**1,724**
Total Cash Expenses	2,757	3,643	3,940	4,295	4,920	5,047
% Direct Care to Total	36.5%	37.1%	35.7%	34.1%	32.5%	34.2%

The percentage of direct animal care expenses to total cash expenses fell slightly between 1991 and 2000.

As shown in Figure 17, direct animal care expenditures have increased 71.6 percent since 1991 while total cash expenditures increased 83.1 percent. As a result, the percentage of direct animal care expenses to total cash expenses fell from 36.5 percent in 1991 to 34.2 percent in 2000.

While animal care expenditures did not increase at the same rate as total expenditures, this makes sense because Hogle Zoo's animal population has declined 30 percent since 1991. (This decline occurred mostly in birds and mammals.) The decline in animal population, coupled with increasing animal care expenditures, has resulted in substantially more being spent per animal as shown in Figure 18.

This analysis is based on animal inventory figures supplied by the animal curator at Hogle Zoo. It is of some concern that three different inventory figures were provided for year 2000. Specifically, Hogle Zoo wanted us to include 205 bats and 216 invertebrates. Included in this latter category were 113 cockroaches. We did not include the bats because they were not included in either the 1991 or 1996 inventories, and reporting consistency is important. We did not include the invertebrates for the same reason—plus their inclusion didn't seem reasonable given the analysis being performed.

Figure 18. Direct Animal Care Cash Expenditures Expressed on a Per-animal Basis—1991, 1996 and 2000. Animal care dollars on a per-animal basis have significantly increased over time.

	1991	1996	2000	% of Change (1991-2000)
Number of Animals	1,079	1,068	751	(30.4)%
Animal Care Dollars	$1,005,056	$1,349,981	$1,724,688	71.6
Animal Care Dollars per Animal	$931	$1,264	$2,297	146.7

On a per-animal basis, animal care expenditures have increased 146.7 percent since 1991.

Certainly, on a per-animal basis, the dollars devoted to animal care have increased substantially (146.7 %). With this increase in animal care dollars has also come an increase in full time employees (FTEs) devoted to animal care. In fact, over seventy-five percent of the animal care dollars in any year goes towards salary and benefits, as shown in Figure 19.

Figure 19. Changes in Direct Animal Care, FTEs, and Animal Care Salaries and Benefits —1991 and 2000. The percent of salaries and benefits to total animal care expenditures has declined slightly.

	1991	2000	% Change (1991-2000)
Number of Animal Care FTEs	27	39	44.4%
Animal Care Salaries & Benefits	$789,727	$1,293,622	63.8
% of Animal Care Salaries & Benefits to Total Animal Care Expenditures	78.6%	75.0%	(3.6)%

We believe that this overall increase in animal care dollars and animal care personnel makes it possible for Hogle Zoo to provide adequate basic care for the animals. This possibility is supported by the United States

Department of Agriculture(USDA) inspection reports and by Hogle Zoo's American Zoo and Aquarium Association (AZA) accreditation.

The USDA is charged with monitoring zoos' compliance with the Animal Welfare Act. To accomplish this charge, USDA inspectors make random, unannounced, on-site inspections of zoos. USDA officials provided us with all routine inspection reports for 1998 through 2001. Of the 12 inspection reports provided, 10 found no non-compliance issues. Of the 2 reports which identified non-compliance issues, the first occurred in March 1998 and involved improper storage of feed and an improper animal resting surface. Both of these problems were corrected. The second occurred October 2000 and involved three sections of perimeter fence which were not adequate to keep outside animals (such as skunks or foxes) out. This problem was also corrected.

The USDA reports that Hogle Zoo has made significant strides in animal care.

In fact, the USDA appears to believe that Hogle Zoo has made significant strides in animal care and compliance with the Animal Welfare Act. In November 2000, the Director of the Western Region of Animal Care wrote Hogle Zoo officials and thanked them for their efforts to achieve compliance with the Animal Welfare Act and for their commitment to ensure appropriate care of the animals. Specifically, the USDA official writes–

> *"The Zoo has learned from past mistakes; if problems are identified, the response of the institution is immediate, and consists of genuine efforts to address and resolve issues."*

We believe this letter is particularly significant given that in 1995 the USDA had filed suit against Hogle Zoo for Animal Welfare Act violations. Outside animals had broken into the zoo by digging under the perimeter fence and had killed several zoo animals. Based on the above excerpt, it appears USDA officials believe Hogle Zoo has made significant progress in caring for the animals.

In addition to the USDA inspections, Hogle Zoo is also accredited by the AZA. Hogle Zoo was last accredited in 1999 and will be up for accreditation review again in 2004. The AZA elected president selects members to serve on the accreditation commission. Thus, commission membership changes every year, but all members are directors, veterinarians, or other officials of zoos or aquariums. One goal of accreditation is to insure that all member zoos are meeting the AZA's minimum standards for animal care. This determination is made by gathering on-site information. Hogle Zoo's accreditation is evidence that the AZA believes Hogle Zoo meets its minimum standards for animal care.

Human-caused and Facility-related Death Rate Was High but Has Improved

From 1993 to 2002, Hogle Zoo averaged .9 incidents per year in which animals died as a result of human error or facility problems. For our purpose, an incident is defined as an event in which one or more animals die. This rate has improved substantially under the current director. During the years 1993 to 1996 (before the current director), Hogle Zoo averaged 1.5 incidents per year in which animal deaths were caused by human error or facility problems. However, during the current director's tenure, this rate has fallen to .5 incidents per year. We believe this is evidence that Hogle Zoo has made improvements in animal care.

Hogle Zoo's animal necropsy reports were poorly done or non-existent.

Before proceeding, one concern must be noted regarding the condition of the zoo's medical records upon which our incident rate analysis is based. Hogle Zoo should conduct a necropsy (an examination and dissection of the animal body to determine cause of death) on those animals on which a necropsy can be performed. However, many of the necropsy reports during our period of review were poorly done or non-existent.

Without accurate necropsy reports, we cannot certify the data reported as completely accurate. Instead, we accepted the information as provided by Hogle Zoo's animal curator. The information reported does agree with various incidents of accidental animal deaths independently reported by various animal keepers who have been at Hogle Zoo for years. Consequently, we believe the data reported to be reasonably accurate.

According to the director, the zoo is now conducting and completing accurate necropsy reports on every animal death. However, since Hogle Zoo's history of animal deaths has been bad in the past and since records have not been maintained in an accurate and reliable fashion, we believe zoo officials should review the medical records annually. Such a medical review will ensure a strong protocol regarding necropsy reports and future reporting.

Given the previous comments, between 1993 and 2002, there have been 9 incidents in which 15 animals died as a result of human error or facility problems. These incidents are listed in Figure 20.

Figure 20. Facility or Human-caused Deaths to Mammals at Hogle Zoo, 1993 to 2002.* The incidence rate is high between 1993 and 1995.

Incident	Name of Mammal	Number	Date of Death	Cause of Death	Human/ Facility Related
1	Gazelle	2	1993	Coyotes got into facility	Facility
2	Giraffe	1	1993	Fall on floor, splayed	Facility
3	Orangutan	1	1993	Hung by netting in cage	Facility
4	Goat	1	1994	Ran into train at night	Facility
5	Giraffe	1	1994	Fall on floor, splayed	Human
6	Deer	5	1995	Dogs got into facility	Facility
7	Wallaby	1	1997	Drown in pond	Facility
8	Chimpanzee	2	1999	Got out of cage and had to be destroyed	Human
9	Giraffe	1	2002	Broke neck on fencing	Facility
	Total	**15**			**7 Facility** **2 Human**

** This table does not include deaths of very small animals and birds. Many of these animals were not given a necropsy.*

Figure 20 indicates that in the last 10 years Hogle Zoo had nine incidents involving fifteen animal deaths that were related to either the facility or human error. Six of the nine incidents occurred before the current director was at the zoo during the years 1993-1996. During this period, Hogle Zoo averaged 1.5 incidents of animal death per year due to human or facility-related causes. Our consultant believes this is a high incident rate for human or facility-related causes. Certainly the United States Department of Agriculture (USDA) thought so. In 1995, the USDA filed suit against Hogle Zoo for numerous violations of the Animal Welfare Act.

Zoos are not required, however, by any organization to annually summarize their animal deaths resulting from human or facility-related causes. We also found no standards have been established by either the AZA or the USDA regarding an average incident or death rate from human or facility-related causes. Discussion with other zoos and our consultant's opinion would indicate that more than one incident or animal death from these causes every two years would suggest a concern.

Since 1997, Hogle Zoo's accident rate has significantly improved.

During the current director's tenure, Hogle Zoo's average has declined from 1.5 to .5 incidents per year. Again, whether the current .5 incident rate (one incident every two years) is above or below average is unknown because there is not a national standard or reliable data from other zoos. It should be noted that one of these incidents (the 1999 chimpanzee incident) was caused by a violation of the Animal Welfare Act. This time, however, the USDA only issued a warning to Hogle Zoo because of the zoo's good compliance history. In spite of this violation, Hogle Zoo has made improvements in animal care and the USDA appears to share this opinion.

As noted earlier, the USDA filed a complaint against the zoo in 1995 for endangering the animals because of the numerous animal deaths and the condition of the facilities. This complaint was precipitated by dogs getting into the facility and killing five deer. However, since the new zoo director arrived in 1997, many changes have been made to the facilities. Consequently, by 2000 the USDA has given the Hogle Zoo a letter of commendation because of their effort to improve animal care. The current USDA investigator stated that "Hogle Zoo is one of the best zoos in my district which includes many of the inter-mountain states." She went on to say that "I have been inspecting the zoo for more than three years and in my opinion the Hogle Zoo staff always takes strong action to improve any identified concerns."

Clearly Hogle Zoo has made improvements in the last few years. Nonetheless, in our opinion, Hogle Zoo should continue to monitor the number of incidents related to facilities or human error.

Most Animal Sales Appear Appropriate But Two Are of Concern

According to our consultant, most of the animal sales appear appropriate, given what was sold and to whom it was sold. However, there were two sales to one facility which caused him significant concern—given the types of animals sold and the current reputation of this facility.

Our consultant reviewed 70 animal sales occurring between January 1, 1997 and January 15, 2002. Most of these sales (58 or 82.8%) were to AZA-accredited facilities, and we pursued these sales no further. Six sales (8.6%) were to members of the public. Given the types of animals sold, our consultant was not concerned with these sales. The remaining six sales (8.6%) were sold to facilities that were not AZA accredited. Our consultant was concerned over two of these sales, given the type of animal sold.

Eighty-three percent of all sales were to AZA-accredited facilities.

Hogle Zoo has a responsibility to insure that the buyer is qualified and capable of caring for the animal(s) before allowing a purchase. Having an AZA accreditation is considered acceptable evidence in this regard by Hogle Zoo. However, with facilities that are not AZA accredited or with members of the public, Hogle Zoo must take more active steps to insure the buyer is qualified and capable. According to the animal curator, Hogle Zoo employees will make physical inspections of local sites and interview the buyer extensively about his or her knowledge of the animal. Unfortunately, Hogle Zoo has not maintained any records documenting the zoo's efforts in this regard. The animal curator indicated that Hogle Zoo is now in the process of developing a form which will serve as documentation.

Because of this lack of documentation, six buyers were identified with the intent of contacting them and identifying Hogle Zoo's review and approval process. We were only able to contact one of the six individuals. This individual had been a licensed pheasant hobbyist and had sold many pheasants to both Hogle Zoo and Willow Park in Logan. Another individual was located in Ohio, and although we were unable to contact him, he is cited in *Gamebird Gazette* as being a national pheasant breeder. We were unable to locate the remaining four individuals. However, our consultant indicated that given the types of animals that were publicly sold (10 pheasants, 5 llamas, and 1 miniature horse), the likelihood of them ending up in a research facility or on a hunting ranch was very small. Thus, the sales did not alarm him.

Two Sales Are of Concern

On the other hand, two of the sales to a facility (referred to hereafter as Facility A) which was not AZA-accredited caused our consultant significant concern. In October 1997, Hogle Zoo sold four Desert Big Horn Sheep (two females and two males) to Facility A; then in November 1998, the zoo sold four more Desert Big Horn Sheep (four males) to Facility A. Facility A is a small (14 acre) zoo. These two sales were suspicious given how Desert Big Horn Sheep live in the wild. Specifically, they live in herds consisting of one male and a number of females. Thus, purchasing six males and only two females is a very suspicious buying pattern. Adding to our consultant's concern is the fact that male Desert Big Horn Sheep are highly prized for their horns by trophy hunters and thus sought after by hunting ranches.

Sales of eight Desert Big Horn Sheep were suspicious.

Even though Hogle Zoo officials maintain that Facility A's owner represented to them that these animals were going to be displayed at Facility A, the sheep are not there now. One of the veterinarians for Facility A confirmed that none of Hogle Zoo's Desert Big Horn Sheep (as identified by the ear tag identification numbers) sold to Facility A's owner are there now. In addition, the veterinarian stated that when asked to supply disposition forms for the eight sheep, Facility A's owner became belligerent and never honored the request other than to say that two had died.

The Desert Big Horn sheep may have been sold for an improper use.

That Facility A's owner refuses to disclose to whom the remaining six Desert Big Horn Sheep were sold is very problematic when coupled with information reported in the 1999 book *Animal Underworld* written by Alan Greene. While this book was published after Hogle Zoo made its two sales, in this book Facility A's owner is identified as a possible animal middleman. In other words, Facility A's owner may buy animals for the purpose of selling them to another party—possibly a party unable to make the purchase themselves. This opens up the possibility that Facility A's owner purchased Hogle Zoo's male Desert Big Horn Sheep, which are highly prized by trophy hunters, for individuals who operate hunting ranches. In fact, we and our consultant believe that this is a reasonable possibility.

Before Hogle Zoo officials sold the Desert Big Horn Sheep to Facility A, they attempted to verify the owner's qualifications and training and also his reputation in terms of animal care. Hogle Zoo is accredited by the AZA, and it is a violation of the AZA Code of Ethics to sell animals to individuals who are not properly qualified or trained to care for them. To accomplish this, Hogle Zoo officials called the director and another employee of the Minnesota State Zoo. Both individuals gave Facility A's owner a good recommendation.

In addition, Hogle Zoo officials required that Facility A's owner sign a form stating the following:

The specimen(s) will not be used or bred by the recipient:
- *a. for the purpose of providing game for sport or subsistence hunting;*
- *b. for the purpose of providing meat or pelts;*
- *c. in any stressful or terminal research program;*
- *d. in any animal auction(s).*

The specimen(s) will not be sold, traded, loaned or donated to any facility, organization or individual to be used or bred:
- *a. for the purpose of providing game for sport or subsistence hunting;*
- *b. for the purpose of providing meat or pelts;*
- *c. to be used in any stressful or terminal research program;*
- *d. to be used in any animal auction(s).*

Hogle Zoo also sent, on a yearly basis, a form asking for an update on the status of the animals. Interestingly, the owner appears only to have reported on the four sheep received in the 1997 sale. As of February 1999, his last report to Hogle Zoo, he reported that two animals had died, but the remaining two were still at Facility A and were in good health. However, Hogle Zoo officials could supply no evidence that Facility A's owner ever reported on any of the four male Desert Bighorn Sheep received in the 1998 sale. In addition, Hogle Zoo officials could supply no evidence that they pursued information on these four sheep.

Hogle Zoo's actions were not unreasonable but were ineffective in identifying Facility A's owner as an animal middleman.

In our opinion, what Hogle Zoo officials did, while not unreasonable, was ineffective in identifying Facility A's owner as an animal middleman. Hogle Zoo should develop a more stringent methodology when assessing the qualifications of facilities or individuals which are not AZA accredited. In particular, we believe Hogle Zoo's methodology should help screen against buyers who are animal middlemen.

It is up to Hogle Zoo officials to choose appropriate actions to strengthen their buyer assessment methodology. However, whatever actions are chosen, they must be stringent enough to provide reasonable assurance that representations made by buyers are true. Hogle Zoo must do this to protect its reputation as a responsible AZA member and, more importantly, to protect the animals for which it cares.

Recommendations:

1. We recommend that Hogle Zoo officials, now that the zoo has an established necropsy protocol, ensure that its established necropsy protocol is always followed.

2. We recommend that Hogle Zoo's management annually review and track all facility-related and human-caused animal deaths to ensure the zoo continues to minimize these types of animal deaths.

3. We recommend that Hogle Zoo's management do a more thorough background check on non-AZA facilities before making an animal sale to them.

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Chapter VII
Administrative Expenditures Are Not Alarming

Generally, administrative expenditures do not appear to be extraordinary. Overall, administrative expenditures increased $265,909 since 1996 as reported in Chapter V. Sixty-five percent of this increase ($174,000) comes from administrative salary expense alone. Part of this increase is attributable to an increase of 4.5 full-time employees (FTEs); however, the director's salary is somewhat high. In addition, Hogle Zoo has begun to use outside consultants more, and this expense is primarily reflected in administration. In 2000, $160,000 was spent in administration for contract services. Given Hogle Zoo's activities (developing a strategic plan, developing a master building plan), these expenses seem understandable.

Administration Salaries Appear Reasonable Overall

In 2000, Hogle Zoo paid $174,000 more in administrative salary expense than was paid in 1996. At the same time, administrative employees increased by 4.5 FTEs. It is also true that the specific administrative salary line increased more than other salary lines within administration. Based on limited salary data, the director's salary, which is included in the administrative salary line, is somewhat high.

Administrative salary expense increased by $174,000 since 1996.

There has been significant concern expressed regarding administrative salaries. In particular, there seems to be confusion as to what salaries are reported in administration. Administration covers not only typical administrative personnel (i.e., director, assistant director, financial manager) but also all gate and security personnel.

Since 1996, the number of FTEs has increased by approximately 4.5 within administration. Specifically, security has increased by 1 FTE, clerical has increased by 2 FTEs, and administration has increased by 1.5 FTEs. This increase in FTEs does not seem unreasonable; however, we did not perform a desk audit on zoo personnel. These FTE counts are estimates of employees who work full-time. Hogle Zoo also employs a significant number of part-time employees, but it does not keep data which allows a precise count of FTEs (i.e., a count which converts part-time workers to full-time equivalents.)

Figure 21 shows historical line-item salary costs for all categories within administration. Benefit costs are not reported in Figure 21.

Figure 21. Historical Line Item Salary Costs for General Positions Within Administration. The administrative category received more additional money than the other categories.

	1996	1997	1998	1999	2000	Additional Salary Dollars (1996-2000)
Administrative*	$168,098	$238,379	$231,376	$217,685	$231,638	$ 63,540
Clerical	31,210	40,388	57,776	73,901	73,922	42,712
Cashier	69,185	79,252	49,956	72,529	92,511	23,326
Security/Watchman	100,513	104,269	84,702	121,556	123,042	22,529
Human Resources	15,307	17,635	12,334	21,107	37,552	22,245
TOTAL	**$384,313**	**$479,923**	**$436,144**	**$506,778**	**$558,665**	**$174,352**

** The former zoo director was paid $102,306 when he retired. This amount was paid as follows:*
- *$75,069 in 1997*
- *$27,237 in 1998*

Administrative salaries are elevated in these two years because of this retirement payoff.

As shown above, three salary categories increased by $23,000 or less since 1996. The clerical category increased by $42,700. This increase is due, in part, to additional clerical employees hired to address the separation of duties concerns expressed by their financial auditors. The administrative category had the highest increase ($63,500).

Administrative employees increased by approximately 4.5 FTEs.

The administrative salary line includes five positions: director, assistant director, accounting manager, accounting technician and administrative assistant. The accounting technician position was added in 1998, so this

$63,500 increase in the administrative category is partially explained by the addition of one employee. However, almost 30 percent of the additional administrative salary is the result of increases to the director's salary. We believe his salary is somewhat high.

The current director began work at Hogle Zoo in late March 1997. His salary and estimated housing benefit are shown in Figure 22.

Figure 22. The Director's Salary—1997 to 2001. The director's salary has increased 29 percent since 1998.

	1997*	**1998**	**1999**	**2000**	**2001**
Salary	$52,847	$70,752	$75,500	$82,080	$90,980
Housing	12,864	16,640	16,640	16,640	16,640
Total	**$65,711**	**$87,392**	**$92,140**	**$98,720**	**$107,620**

** The current director began his employment in late March 1997. Thus, the salary reported in 1997 covers 75 percent of the year. Annualized, his beginning salary was approximately $66,560.*

The director's salary is somewhat high.

Since 1998 (the first year a full salary was received), the director's salary has increased 29 percent. The $12,864 housing benefit was actually paid to the director as part of his 1997 compensation. The board compensated him because the zoo residence was not available for occupancy until 1998. From 1998 to the present, the director has occupied the zoo residence. Thus, the amount reported as housing is a conservative estimate of the value of the benefit to the director. Because the director lives in the zoo-owned house, he does not have to bear some common costs (i.e., mortgage or rental payments, utility payments, insurance payments). According to our consultant, this housing benefit is unusual nowadays though it existed in the past. Because the benefit is unusual, we believe it should be considered when doing salary comparisons.

In addition to housing, the director also receives a vehicle for personal and business use. This benefit, according to our consultant, is not unusual for zoo directors. Finally, from what could be determined, the director receives the same retirement and health benefits as offered to other zoo employees. In 2000, these benefits were reported on IRS Form 990 as totaling $10,115.

The director's salary is somewhat high when the housing benefit is considered. According to the 2000 AZA member compensation survey, the average base salary for zoo directors is $86,319 while the median salary is $82,000. The average tenure of these zoo directors is 10 years. The average base salary was compiled from information provided by 78 AZA-accredited zoos throughout the country. The reported low base salary was $27,300 while the reported high base salary was $240,000. Thus, while the director's 2000 salary (including housing) is within the range, it is $12,400 higher than the reported average base salary and $16,700 higher than the median salary. In 2000, his tenure in the position was only four years. In 2001, the director's salary is $21,300 higher than the reported average base salary and $25,600 higher than the median salary. Given that Hogle Zoo is a medium size zoo, the director's salary is somewhat high.

Hogle Zoo's director had four years of tenure in 2000, while the average tenure of the 78 directors to whom his salary was compared was ten years.

We should note this limitation. The AZA does not report data in a way that allows matching pertinent criteria (e.g., size of zoo, location of zoo). However, given the breakdowns used by the AZA, we believe that the most relevant comparison was to use the breakdown by organizational types (i.e., aquarium, zoo, combined and other). Seventy-eight zoos reported salary information in this category. It is possible that if more specific matches were made, the director's salary would seem more in line with the market. However, we believe this is unlikely.

Outside Consultants Are Used Often

While salary costs make up a large portion of the administrative expense, consulting costs also account for a significant amount. Hogle Zoo appears to use outside consultants more now than in the early 1990s. In 1995, Hogle Zoo reported nothing in the contract services line-item housed with the administrative category but in 2000, $159,000 was reported. The amount reported in this category is significantly affected by the activity of Hogle Zoo's primary consultants: a lobbying firm, an architectural firm, and a management consulting firm.

In addition to these primary consultants, another lobbyist was also used in 1996 and 1997. Another consultant's services were also used in a lobbying capacity in 1999 and then in 2000 to help in consultation with and coordination of the Future Zoo Task Force. This task force was charged with analyzing the relocation question and identifying optimal sites.

The contract services line-item was first used by Hogle Zoo in 1996, the same year the zoo began using professional lobbyists. In fact, in 1996 Hogle Zoo employed two lobbyists, Lobbyist A and Lobbyist B. Figure 23 shows the total amount reported in the contract services line-item for 1996 through 2000 and the total amounts paid to lobbying firms, the architectural firm, and the management consulting firm.

Figure 23. Money Paid to Primary Outside Consultants—1996 to 2000. Total contract services are highest in 1998 and 1999 when both the zoo's strategic plan and master plan were being developed.

	1996	1997	1998	1999	2000
Total Contract Services	$151,845	$172,836	$346,798	$209,003	$159,191
Lobbyists	127,360[a]	130,854[b]	85,911	88,830	97,997[c]
Architectural			95,540	9,375	8,421
Management Consulting			88,073	55,328	12,230
Future Zoo Task Force					13,000

a) In 1996, Hogle Zoo had two lobbyists. Lobbyist A accounts for $47,802 of the total lobbying amount, while Lobbyist B accounts for $79,558.

b) In 1997, Hogle Zoo continued to have two lobbyists until Lobbyist A joined Lobbyist B. Lobbyist A accounts for $9,189 of the total lobbying amount while Lobbyist B accounts for $121,665.

c) In 2000, Lobbyist C was paid $4,000 for lobbying efforts regarding Hogle Zoo's sales tax initiative. Lobbyist B accounts for the remaining $93,997.

Lobbyists, who have helped maintain Hogle Zoo's state appropriation, were paid almost $98,000 in 2000.

As can be seen, an on-going expense for Hogle Zoo is lobbying which the zoo chooses to incur. Hogle Zoo officials believe that, overall, lobbying activities have benefitted the zoo. Specifically, zoo officials credit the lobbyists with helping to get the ZAP tax passed and with helping to increase and maintain Hogle Zoo's state appropriation.

Architectural costs result from the development of a Hogle Zoo master building plan. Figure 23 shows the architect's costs applied to contract services (a total of $113,336 for all three years). This is not the total amount paid to the architect, however. For years 1998 through 2000, the architect was paid $601,354 for services relating to the master plan and for further design work on the Elephant Encounter, a project which now has been put on hold. Most of these costs are not present on Hogle Zoo's income statement because the costs were capitalized in an asset account. These costs will gradually come through the income statement as depreciation.

Some contract services' costs are capitalized and gradually shown as an expense through depreciation.

It should also be noted that the entryway had additional design costs which are also not reflected in the contract services account. Specifically, a local architectural firm was paid $421,171 in 2000 to develop detailed entryway design plans. This amount was counted as part of the entryway cost and capitalized in an asset account. Again, this cost will gradually come through the income statement as depreciation.

The management consulting costs result from the development of a strategic plan for Hogle Zoo and for the organization and implementation of membership drives. Figure 23 shows the costs that were applied to contract services (a total of $155,631 for all three years). As with the architect though, this amount is not the total paid to the management consultant. For the years 1998 through 2000, the management consultant was paid a total of $260,459. That portion of the management consultant's payments not reported as a contract service, were reported as a membership expense within marketing.

Finally, Hogle Zoo has paid Lobbyist C $28,650 for work performed during October 1999 through November 2000. Figure 23 shows total payments of $17,000 ($4,000 for lobbying and $13,000 for work on the Future Zoo Task Force). The remaining $11,650 (for work on the Future Zoo Task Force) was paid to Lobbyist C in 2001 and is not shown in Figure 23.

Some consulting fees were paid without a contract.

For this money, Lobbyist C performed two services: the $4,000 is for lobbying work regarding a proposed sales tax increase to benefit Hogle Zoo, and the $24,650 is for consultation with and coordination of the Future Zoo Task Force. We are concerned that no contract existed for the lobbying work. Further, regarding Future Zoo Task Force work, we are concerned that payments were made after the contract had terminated and that payments were made when not all contract requirements were fulfilled.

For the lobbying work, no contract was found between Lobbyist C and Hogle Zoo. Nonetheless, Lobbyist C sent an itemized bill to Hogle Zoo for 41 hours of his time at $85/hour. This itemization indicated the length of the meeting and with whom the meeting was held. This would be Lobbyist C's only itemization sent to Hogle Zoo. Even though there was no contract, Hogle Zoo's Director authorized payment to Lobbyist C of $4,000 for his services, the billed amount of $3,485 plus $515 for unlisted expenses.

For his work with the Future Zoo Task Force, a March 24, 2000 contract outlined Lobbyist C's responsibilities and his payment schedule. Originally, this contract was to terminate June 2000, but because of unforeseen delays, it was extended on June 29, 2000 to August 31, 2000, an addition of two months. The contract specifies that Lobbyist C be paid $2,000/month for his February and March work and $3,000/month for his April, May and June work, a total of $13,000.

The consultant's billing time frame exceeded the contract's payment time frame.

In fact, Hogle Zoo reimbursed Lobbyist C $24,650 for his Future Zoo Task Force work. As it happened, Lobbyist C billed Hogle Zoo not only for August, but also for September, October and November, three months past the extension date of August 31. While Hogle Zoo gave Lobbyist C an extra two months to complete the contract, it is not clear that the zoo agreed to pay any additional money to do that work since unforseen delays would mean Lobbyist C would not have been able to perform work for which he had already been compensated. Further, Hogle Zoo never agreed to pay Lobbyist C beyond the August 31st extension date. It appears Lobbyist C billed for months outside the contract and the zoo paid without any explanation as to why.

Recommendations:

1. We recommend that the Utah Zoological Society make no further adjustments to the director's salary until a salary survey is performed. In making this compensation analysis, the following should be done:

   - The director's housing benefit, since it is uncommon among zoo directors, should be considered as salary;
   - Hogle Zoo should be matched with zoos of like size;
   - The salary information received should be adjusted for tenure in position and;
   - The salary information should be adjusted relative to Utah's cost-of-living.

2. We recommend that the Utah Zoological Society establish a policy requiring; first, that a written contract is completed for all consultants; second, that payments are in accordance with the contract; and third, that all requirements of the contract are fulfilled before the final contractual payment is made.

Chapter VIII
Related-party Transactions Should Cease

The Hogle Zoo has entered into business contracts or agreements with both members of the zoo board (or the business they are associated with) and individual zoo employees. These agreements amount to related-party transactions. A related-party transaction is where the zoo purchases goods or services from a member of their board or from a zoo employee. Most of these agreements were not competitively purchased. Consequently, zoo officials have not been able to demonstrate that these transactions are in the best interest of the zoo. In other words, did the zoo get the best possible service for the least possible cost?

Related-party transactions can create conflicts of interest.

Related-party transactions are also of concern because they can create conflicts that discount the needs of the organization for the benefit of the individual. For example, it is possible that the value or the duration of a contract can be increased or extended because of the influence of a board member or an employee who is the related party. The conflict occurs when an individual board member or key employee personally benefits at the cost of the zoo. Related-party transactions can also create conflicts of interest where other board members or employees are put in a position to make decisions that benefit a fellow board member or employee. For example, conditions may justify rebidding a contract, but because the contract involves a board member, zoo officials or other board members may hesitate. When numerous board members have related-party interests, the potential for conflicts of interest increases.

Some related-party transactions have existed for more than 10 years.

It appears that many of the Hogle Zoo related-party transactions are well established with some transactions dating back more than 10 years. It's important to note that the total annual amount of these transactions is significant. During calendar year 2000, the zoo spent approximately $800,000 on related-party transactions and over a four year period about $2,500,000. Again, Hogle Zoo has no way of assuring that they got the best service for the least cost. We recommend that the zoo cease all related-party transactions.

As examples, the following related-party transactions either currently exist or have recently existed at the zoo:

1. The zoo has purchased insurance for more than 10 years through its board chairman who is also an agent for an insurance company. The insurance premiums for the year 2000 amounted to approximately $524,600. In some years, the board member (agent) provides price quotes from two underwriters. However, industry experts and state officials believe such a related-party transaction requires the zoo to document that the transaction is in the best interest of the zoo. The same officials believe insurance premiums for such a significant amount warrant price quotes from several brokers (insurance companies) and many underwriters. The zoo recently bid out the health care portion of their contract for the year 2002 to several brokers. Although they provided health coverage for Hogle Zoo for years, the insurance company, for which the board chairman is an agent, decided not to bid. In our opinion, the zoo has no evidence that insurance contracts have been competitively bid. Consequently, we cannot determine that the related-party transaction was in the best interest of the zoo.

2. The zoo has purchased advertising services for the last three years through a board member who is also vice president of an advertising agency. Advertising expenses for the year 2000 amounted to about $233,200. The zoo did advertise and bid this contract competitively. However, much of the documentation concerning the justification for the award is missing. We are concerned about the competitiveness of this bid because board minutes indicate they reduced the list to two finalists. Both finalists were invited to make a formal presentation to the executive committee of the board. The contract called for the bidder to offer some pro bono (free) services. Both companies declined, stating they could not justify the additional time and money such a presentation would require given the pro bono provision in the contract. As a result, the board chairman offered the contract to the board member's company. Our review of advertising charges billed by the board member's company to the zoo did not identify any credits for pro bono services. Finally, zoo officials have not

been able to provide documentation that pro bono services were provided.

We are also concerned about the advertised value of the contract. The 1997 invitation to bid on the Hogle Zoo advertising contract estimated the zoo spends about $100,000 worth of advertising annually when they were actually spending more than $150,000. This is a significant difference and could have attracted more bidders or perhaps increased competition. Finally, immediately after the bid was given out, the zoo increased spending to more than $200,000 per year. In our opinion, this increase easily justifies rebidding the advertising contract. In a 1997 board meeting (prior to this contract being bid) the zoo director made the following comment about the advertising contract: “It would be a good idea to change creative teams each year.” However, the contract has not been released for bid since. We believe there is sufficient justification to rebid this contract. It is possible that the staff have hesitated to rebid this contract because of the influence of the related parties.

In our opinion, there is not sufficient documentation at the zoo to conclude that adequate competition took place for the advertising contract. It is clear that in 1997 the zoo attempted to advertise and obtain competition, but we can not conclude the current advertising contract, a related-party transaction, is in the best interest of the zoo.

There is evidence of pro-bono legal services provided to Hogle Zoo by their legal consultant.

3. The zoo purchases legal services through a law firm, for which a board member works as an attorney. For calendar years 1999 and 2000, legal services amounted to about $6,200 and $11,200, respectively. We have confirmed from billing documents that this contractor has provided favorable pro bono services to the zoo. Our cursory examination indicates the hourly rates charged in the legal services contracts are reasonable. However, this contract should be bid competitively to document that it is in the best interest to the zoo.

4. In past years, the zoo purchased financial management services from a company owned by the board chairman. In 1999 the zoo paid $15,000 for financial management services. This contract no

longer exists, but this service was not bid competitively nor was there documentation of pro bono service. Officials have never documented that this service was in the best interest of the zoo.

In 2000, Hogle Zoo paid $27,200 in lease payments to the maintenance director for use of his construction equipment.

5. For more than 20 years, the zoo has leased construction equipment from the director of Hogle Zoo's maintenance department. The equipment is billed on an hourly rate. The maintenance director schedules the use of the equipment for the zoo. There is no written contract, and the zoo has never solicited competition. In the year 2000, the zoo paid approximately $27,200 for equipment rental. Zoo officials have never documented that this service agreement is in their best interest. When we requested information from the maintenance director documenting that he bears the costs of maintaining the equipment, he refused to provide such information. In our opinion, the zoo should consider purchasing their own equipment based on the historical use of this equipment. This agreement is a clear conflict of interest, and we recommend the zoo not lease equipment from employees.

6. In 1997 the zoo contracted with a maintenance supervisor at Hogle Zoo to serve as general contractor to remodel the zoo director's home. This home is owned by the zoo and overlooks the grounds. The maintenance supervisor was paid $10,000 and there is no record that this contract was competitively bid.

Related-party transactions have been reported as a concern in the zoo's independent audit report for more than 10 years, yet neither board members nor zoo administrators have chosen to correct these concerns. We believe if both the state and county were represented on the zoo board, these and other concerns addressed in this report would be rectified. Since the state and county taxes account for 45 percent of the zoo's total revenue available to cover operational costs, it would be important to have them represented on the board. In discussions with both zoo board members and administrators, they agreed that such government participation would be welcomed. Finally, we believe that related-party transactions should cease.

Recommendations:

1. We recommend that the Utah Zoological Society establish a policy which does not allow related-party transactions.

2. We recommend that the Utah Zoological Society discontinue all existing related-party transactions and replace them through extensive competition.

3. We recommend that Hogle Zoo's management perform a "lease vs buy" analysis on all equipment currently under a long-term lease. For this analysis, lease rates under various usage scenarios should be obtained from local leasing companies.

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Chapter IX
ZAP and State Expenditures Not Known with Certainty

Hogle Zoo's expenditures of taxpayer funds are not well documented. In our opinion, expenditures must be documented to maintain public accountability. First, exactly how ZAP money was spent in some years is not known with certainty. In fact, Hogle Zoo has reported different uses of ZAP funds to different requesters. Second, it is also unknown how state funds were specifically used. The Department of Community and Economic Development (DCED) has never required Hogle Zoo to specifically account for the pass-through state appropriations. Although our analysis indicates that for the five years reviewed, there were adequate and acceptable operational expenses for state appropriations to cover even when ZAP expenditures are considered, in our opinion, Hogle Zoo should specifically account for its use of ZAP funds and state appropriations. Hogle Zoo officials agree and plan to begin specific reporting immediately.

Hogle Zoo officials have agreed to specifically document and report all tax expenditures.

Earlier, Chapter V reported on general categorical expense increases occurring since ZAP funds were received. This chapter focuses on how state and ZAP funds were specifically used. Unfortunately, state appropriations and ZAP funds are not associated with specific expenditures within Hogle Zoo's accounting system. Instead, state and ZAP monies are co-mingled with zoo-generated revenue. Expenses are then charged against these total revenues. As a result, Hogle Zoo has flexibility when reporting how state and ZAP monies were expended. The flexibility of Hogle Zoo's reporting can be seen in how ZAP expenditures were reported differently to the Legislative Audit Sub-committee and to Salt Lake County.

Some ZAP Expenditures Were Inconsistently Reported

Hogle Zoo has reported different uses of ZAP monies to different requesters. While the various reported uses appear to fall within the statute regulating use of the ZAP monies (**Utah Code** 59-12-701), we believe that use of the ZAP monies should be consistently reported. Hogle Zoo officials have agreed to the importance of consistent reporting.

During the July 2001 Legislative Audit Subcommittee meeting, Hogle Zoo made a detailed accounting of how ZAP monies had been spent for the calendar years 1997 to 2000. Hogle Zoo also reports to Salt Lake County officials on a yearly basis how ZAP funds are used. We expected these two accountings to be identical, but they were not.

Hogle Zoo reported some calendar year 1997-1999 ZAP expenditures differently to the Legislative Audit Subcommittee than they did to Salt Lake County officials, while year 2000 expenditures were consistently reported between both groups (i.e., all ZAP funds were reported as spent on the new entryway).

ZAP expenditures were reported differently to legislators than to Salt Lake County.

Figure 24 shows a comparison between what Hogle Zoo reported to the Legislative Audit Subcommittee in July 2001 and what Hogle Zoo reported to Salt Lake County. For ease of comparison, the specific expenditures reported to the Legislative Audit Subcommittee have been grouped into Salt Lake County reporting categories. To review how those specific expenditures were grouped, please refer to Appendix A.

Figure 24. ZAP Expenditures as Reported to Salt Lake County and to the Audit Subcommittee, Calendar Years 1997 to 1999. Hogle Zoo reported ZAP expenditures differently to Salt Lake County and the Audit Subcommittee.

	1997		1998		1999	
	Audit Sub-committee	**Salt Lake County**	**Audit Sub-committee**	**Salt Lake County**	**Audit Sub-committee**	**Salt Lake County**
Contract Services	$ -0-	$128,085	$244,705	$244,705	$126,711	$201,123
Animal Care	-0-	296,704	72,346	72,346	-0-	166,749
Marketing	302,180	162,624	298,870	298,870	321,849	321,849
Maintenance	90,343	-0-	82,036	82,036	58,970	243,918
Capital Projects	360,312	-0-	349,235	349,235	963,337	152,163
General Administration	810,242	-0-	249,143	284,408	110,926	110,516
Exhibits	32,638	190,685	-0-	-0-	46,346	259,357
Education	-0-	63,253	161,652	161,652	186,504	-0-
Salaries	-0-	640,768	-0-	-0-	-0-	-0-
Travel	-0-	27,443	-0-	-0-	-0-	-0-
Other	-0-	60,562	101,217	101,217	-0-	-0-
Concessions	-0-	-0-	177,829	177,829	-0-	-0-
Total	**$1,595,715**	**$1,570,124**	**$1,737,033**	**$1,772,298**	**$1,814,643**	**$1,225,675***

** Hogle Zoo reported to Salt Lake County that not all 1999 ZAP monies had been expended as of April 3, 2000—the date of Hogle Zoo's 1999 final accounting to the county. This may account for the two 1999 totals being different.*

Significant reporting differences change the interpretation of how ZAP money was spent.

As can be seen above, the reports are inconsistent. For example, Hogle Zoo reported to Salt Lake County that $296,704 and $166,749 of ZAP funds were spent on animal care in 1997 and 1999, respectively. However, when reporting to the Legislative Audit Subcommittee, Hogle Zoo reported no money spent in either year on animal care. As another example, Hogle Zoo reported to the county that $0.00 in 1997 and $152,163 in 1999 were spent on capital projects. Yet, when reporting to the Legislative Audit Subcommittee, $ 360,312 in 1997 and $963,337 in 1999 were reported as capital project expenditures.

The two 1998 reports match in most categories because Hogle Zoo's associate director made them match. The 1998 Salt Lake County report used in Figure 25 was filed by Hogle Zoo in late 2001. It is probably not the 1998 report as originally submitted as we describe next.

Apparently, Salt Lake County could not find Hogle Zoo's original 1998 ZAP expenditure report. (Salt Lake County was looking for these reports at our request.) As a result, Salt Lake County asked Hogle Zoo to supply them with Hogle Zoo's copy of the 1998 expenditure report. Hogle Zoo's associate director sent Salt Lake County a 1998 expenditure report which was based on what Hogle Zoo had reported to the Legislative Audit Subcommittee in July, 2001. Hogle Zoo's associate director was aware of the comparison we were making when this 1998 expenditure report was given to Salt Lake County.

Neither our auditors nor Hogle Zoo officials could reconcile the two reports.

We tried to reconcile the 1997 and 1999 reports to the Legislative Audit Subcommittee and to Salt Lake County but were unsuccessful. We then asked Hogle Zoo officials to reconcile the reports and to document exactly what was contributing to each of the expenditure categories reported to Salt Lake County. Hogle Zoo officials were unable to reconcile the reports either.

The 1997 report cannot be reconciled by Hogle Zoo because documentation of the specific expenses underlying the 1997 Salt Lake County report cannot be found. Concerning the 1999 report, Hogle Zoo officials maintain the two reports cannot be reconciled because total 1999 ZAP expenditures were not reported to Salt Lake County but were reported to the Legislative Audit Subcommittee.

While this explanation may be true, there are still 1999 reporting inconsistencies that cannot be addressed by incomplete reporting to Salt Lake County. For example, contract services and animal care expenditures are reported as higher in the Salt Lake County report than in the Legislative Audit Subcommittee report. Since total 1999 ZAP expenditures were not reported to Salt Lake County, higher categorical expenditures relative to the Legislative Audit Subcommittee report would not be expected. As a result of all these difficulties, we are unable to determine exactly what expenditures ZAP monies covered.

Although we do not know which of Hogle Zoo's expenditure reports are accurate, the expenditures listed on each report would seem to be appropriate for ZAP coverage. As shown below, ZAP money can cover a broad spectrum of organizational and facilities-related expenditures.

> ***59-12-703(3)*** *The monies generated .... shall be used for financing recreational and zoological facilities and ongoing operating expenses of botanical, cultural, and zoological organizations...*
>
> ***59-12-702(4)(ii)*** *In a county of the first class "zoological organization" means a nonprofit organization having as its primary purpose the advancement and exhibition of mammals, birds, reptiles, and amphibians to an audience of 500,000 or more persons annually.*
>
> ***59-12-702(4)(iii)*** *In a county of the first class, "zoological facilities" means any buildings, exhibits, utilities, and infrastructure, walkways, pathways, roadways, offices, administration facilities, public service facilities, educational facilities, enclosures, public viewing areas, animal barriers, animal housing, animal care facilities, and veterinary and hospital facilities related to the advancement, exhibition, or preservation of mammals, birds, reptiles, or amphibians.*

Given the broad nature of the definitions found in the statute, the appropriateness of the expenses does not appear to be an issue. Salt Lake County approved all Hogle Zoo's expenditure submissions as being appropriate for ZAP coverage. In addition, the expenditures reported to the Legislative Audit Subcommittee also appear to be appropriate for ZAP coverage.

To maintain public confidence, Hogle Zoo must consistently report ZAP expenditures.

Regardless of the appropriateness of the expenses, we believe that the zoo should be consistent in how ZAP funds are reported. In our opinion, it does not reflect positively on Hogle Zoo to have two different accountings of ZAP fund expenditures. Officials at Hogle Zoo agree and have resolved to correct this situation.

State Monies Are Not Accounted for Specifically

In our opinion, expenditure monitoring of state appropriations has been minimal. DCED has not requested, nor has Hogle Zoo provided, specific information as to how state appropriations have been spent. Nonetheless, our analysis of Hogle Zoo's operational expenses since receipt of ZAP monies reveals that for calendar years 1996-2000 there were adequate operational expenses for state appropriations to cover.

Hogle Zoo officials have now pledged to provide DCED with specific expenditure information on state monies.

Contractually, Hogle Zoo may not spend state appropriations on either administrative or marketing expenses. Further, according to DCED officials, there is an understanding that Hogle Zoo will not spend on-going state money on capital projects such as the entryway. Hogle Zoo officials have pledged to provide DCED with specific expenditure information on state monies from this point forward.

To determine how state appropriations might have been spent, we compared acceptable operational expenditures with state appropriations. This analysis was performed from a worst-case scenario standpoint. First, only cash expenditures in the following expenditure categories were allowed coverage by state appropriations: animal care, veterinary, grounds, exhibits, graphics, maintenance, education, and docents. Contractually, state money may not be spent on administrative and marketing expenses. The focus was on cash expenditures because we wanted to analyze whether state appropriations could be fully utilized by actual expenditures rather than by recognitions of expenditures (i.e., depreciation).

Second, ZAP funds reduced the total amount of expenditures possible in some cases for state appropriations to cover. In other words, if ZAP funds covered the expenditure then state money could not have. In performing this analysis we used Hogle Zoo's reports to Salt Lake County. Since this was a worst-case scenario, we counted against the total acceptable expenditures any ZAP money not specifically identified as covering categories outside the analysis. Figure 25 compares the amount of acceptable operational cash expenses and the state appropriations received for selected years.

Figure 25. A Comparison of Acceptable Operational Cash Expenses with State Monies Received, 1996 to 2000. In all years, acceptable operational cash expenses exceeded the amount of the state appropriation.

	Acceptable Operational Cash Expenses	Less Operational Expenses Possibly Covered by ZAP	Expenses Available for State Appropriations	On-going State Appropriation Received	Difference
1996	$2,470,892	-0-	$2,470,892	$1,290,829	$1,180,063
1997	2,584,163	$1,279,415	1,304,748	998,630	306,118
1998	2,730,982	502,503	2,228,479	1,638,630	589,849
1999	3,257,071	440,024	2,817,047	1,638,630	1,178,417
2000	3,175,344	-0-	3,175,344	1,638,630	1,536,714

As can be seen, acceptable expenses in each of the reported years exceed available state money. Thus, state appropriations were not compelled to cover disallowed expenses (i.e., administrative and marketing), nor were state appropriations compelled into savings where they could have been used to partially pay for the entryway.

DCED does not know how Hogle Zoo spends the state appropriation.

In our opinion, the state should not have to guess as to how its money was spent. Although DCED is charged with monitoring Hogle Zoo's performance in providing services and facilities in accordance with the purposes of their agreement, this monitoring has been minimal. In fact, DCED does not know exactly how state appropriations to Hogle Zoo are spent. Further, DCED has never required Hogle Zoo to provide an accounting of state appropriation expenditures even though, contractually, DCED appears to have that power. DCED's reasoning for not requiring a specific accounting is that such accounting places additional expense on Hogle Zoo and DCED.

According to the contract between DCED and Hogle Zoo, Hogle Zoo shall submit monthly financial reports. The monthly financial reports submitted are simply Hogle Zoo's monthly income statements. Hogle Zoo does not report to DCED how the state appropriation was actually spent. While income statements are valuable pieces of information, what is also needed is Hogle Zoo's statement as to what expenses were covered by the state appropriation. By doing such reporting, DCED will have a way of analyzing the appropriateness of the expenditures. Hogle Zoo officials have agreed that a specific accounting is necessary, and they plan on providing this specific accounting to DCED in the future.

Recommendations:

1. We recommend that Hogle Zoo develop and maintain specific expenditure information which supports Hogle Zoo's annual categorical expenditure report to Salt Lake County as to how ZAP monies were spent.

2. We recommend that Hogle Zoo specifically document how the state appropriations are used and report this data annually to DCED. This report should be maintained on a monthly basis and be consistent with the financial requirements regarding the use of state appropriations.

Chapter X
Concessions' Overall Financial Performance Is Reasonable

Hogle Zoo currently manages their own concessions. These concessions can be divided into two main services: the gift shop/souvenirs, and food services. The new entryway contains a new gift shop building as well as a new pavilion for catered events. Hogle Zoo's gift shop performs well financially and appears well managed. However, the relocation within the new entryway did not produce profits in 2001 large enough to justify the investment in a new gift shop. Food services are also making a profit, but their financial performance is not as strong as the gift shop. In addition, it is possible that food services' profits will improve if outsourced to a concessionaire. Within the food services department, the zoo provides private catered events, and these expenses need to be kept separately from other food services' expenses so that catering can accurately determine its profitability.

It should be remembered that in Chapter IV, construction of the new entryway, with its new gift shop and food pavilion, was justified by the director in terms of increased zoo profitability. This justification is further reviewed in this chapter.

Gift Shop Compares Well with Other Zoos

The gift shop's net profit per capita is reasonably high compared to other zoos. As a result, it does not appear that a concessionaire would likely improve Hogle Zoo's profit line.

The gift shop is well managed by Hogle Zoo.

Sales per capita and net profit per capita are commonly used as financial performance indicators for gift shop performance. Per capita is calculated by dividing annual sales and profit by annual attendance. The Legislature asked us to determine if the gift shop should be outsourced. To do this, we collected comparison sales per capita and net profit per capita data from a sample of zoos that outsource their gift shops. Figure

26 shows these zoos' and Hogle Zoo's performance for the calender year 2000.

Figure 26. Gift Shop's Per Capita Comparison for Hogle Zoo and Ten Other Zoos—Year 2000. The gift shop's 2000 net profit per capita is in the upper half of the zoos studied.

Zoo	Sales Per Capita	Zoo	Net Profit Per Capita
A	$ 2.73	A	$ .68
B	2.32	B	.46
C	2.28	C	.46
D	1.46	HOGLE	.38
HOGLE	1.44	D	.29
E	1.44	E	.29
F	1.40	G	.29
G	1.32	H	.26
H	1.25	F	.25
I	1.01	J	.15
J	.96	I	.10

Financial indicators from Hogle Zoo's gift shop compare favorably with zoos which outsource.

This comparison shows that Hogle Zoo's gift shop has favorable financial performance. For the sales per capita, the gift shop's performance is sixth out of eleven. However, for net profit per capita, the gift shop's performance is fourth. In addition, Hogle Zoo's profit as a percent of sales is the highest of all the zoos analyzed (Hogle Zoo's profit percentage is 26 %.). In addition, Hogle Zoo's performance also looks strong from a historical perspective as shown in Figure 27.

Figure 27. Historical Souvenir Revenues, Expenses, and Net Profits Per Capita for Hogle Zoo—1996 to 2000. Hogle Zoo has made improvements in net profits per capita since 1998.

	1996	1997	1998	1999	2000
Revenue*	$ 1.06	$ 1.24	$ 1.18	$ 1.26	$ 1.44
Cost of Goods Sold	.47	.59	.54	.54	.65
Expenses	.36	.42	.43	.41	.41
Net Profit	.23	.24	.21	.39	.38

** Stroller revenue is included as part of souvenir revenue for all years.*

The gift shop is more profitable now than it was four years ago.

As can be seen, Hogle Zoo was more profitable in 2000 than in 1996. Much of the credit for the increased profitability is given by Hogle Zoo management to the new gift shop manager.

We do have one concern regarding Hogle Zoo's souvenir expense reporting. Souvenirs are not assessed any utility expense (i.e., no heating, cooling, or lighting expense). Under Hogle Zoo's cost-accounting approach, we believe these costs should be reflected as a souvenir expense. To not do so provides a somewhat misleading picture of expenses and the resulting net profit. If this concern was addressed, then Hogle Zoo's reported souvenir net profits would decline somewhat in all years.

For 2001, Hogle Zoo's gift shop again showed an increase in sales per capita over 2000, increasing from $1.44 to $1.56. However, net profit per capita decreased slightly from $.38 to $.36. So far, the move in May 2000 to a new building with a larger retail space and new merchandise displays has not had a positive impact on Hogle Zoo's net profit.

Gift Shop Had Higher Financial Performance Before Relocating

While 2001 annual sales had a small increase over 2000, net profits did not perform adequately. Because of this inadequate performance, coupled with increased investment costs, the zoo's new gift shop currently has a much lower return on investment than the zoo's old gift shop. Specifically, it appears that sales and profits in 2001 did not increase at a high enough rate to equal the high level of financial performance experienced in the previous gift shop. It is too early to know; but, based on this comparative data, we are concerned that the decision to build a new gift shop may not have been financially prudent.

The previous gift shop was built in 1994 and was only used for about six and half years. The financial performance indicators used in our analysis showed that the gift shop's financial performance was excellent in the previous location. Four different financial performance measurements were used to rate the gift shop:

- Annual return on investment (ROI)
- Annual change in actual dollar sales and profit
- Annual sales and profit per capita
- Annual revenue and profit per square foot of retail space

The different performance indicators are used to compare the gift shop's financial performance in the previous location and in the new building.

Gift Shop's Return on Investment Declined in 2001 but Is Still Good

The new gift shop's ROI is 21 percent while the old gift shop's ROI was 52 percent.

The rate of return for the new gift shop is much less than what it was in the old gift shop building. The ROI for the new gift shop is 21 percent based on 2001 data, but the ROI for the old gift shop was 52 percent based on 2000 data. The new gift shop cost $1.9 million to build and furnish while the previous gift shop cost $402,000 to build and furnish.

An eight percent return is a common benchmark used to determine if a business is profitable. Using this benchmark, at 21 percent, the gift shop is still getting a good return on investment after relocating. However, if the gift shop had stayed in the previous location, the ROI could have been as high as 55 percent.

Actual 2001 Sales Dollar Increase Was Low

The 2001 annual sales increased by five percent while 2001 net profit decreased nine percent. Figure 28 below shows the annual sales and profits, profit as a percentage of sales, and sales and profit per capita from 1996 to 2001.

Figure 28. Gift Shop's Annual Sales and Profit at Hogle Zoo —1996 to 2001. Annual sales for the past two years combined have increased 10 percent, but profits have decreased.

Year	Sales	Profit	Profit Percentag e	Sales Per Capita	Profit Per Capita
2001	$1,076,000	$247,631	23%	$ 1.56	$ .36
2000	1,021,424	271,138	27	1.44	.38
1999	979,440	299,834	31	1.26	.39
1998	757,266	133,197	18	1.18	.21
1997	1,022,326	195,079	19	1.24	.24
1996	711,408	156,560	22	1.06	.23

Note: Stroller revenue is considered as part of souvenir sales for all years.

Profits were highest in 1999 when the Komodo Dragon was on display.

Profits were strongest in 1999 when Hogle Zoo brought in the Komodo Dragon exhibit. Profits were weakest in 1998 when the zoo had no unique exhibit. For 2001, the gift shop was in the new location for seven months, which includes the peak season. But, the year-end financial data doesn't reflect an advantageous financial impact for the zoo in 2001 after the gift shop's relocation.

Retail Operations per Square Foot Decreased after Relocating

Another financial performance indicator that zoos use is annual revenue and profit per square foot for retail space. Sales and profit per square foot actually dropped with the gift shop's relocation. The revenue and profit per square foot for Hogle's gift shop over the last four years is shown in Figure 29.

Figure 29. Retail Operations Per Square Foot at Hogle Zoo's Gift Shop—1998 to 2001. Operations per square foot decreased below 2000 levels after the zoo moved to the new location.

Year	Revenue Per Square Foot	Net Profit Per Square Foot
2001	$ 284	$ 65
2000	319	85
1999	306	94
1998	237	42

The new gift shop's net profit in 2001 is $20 per square foot lower than it was in the old gift shop.

Both the revenue and net profit per square foot were strong in 1999 and 2000. However, upon relocation, the 2001 revenue and net profit per square foot dropped below these levels. The new gift shop building has 1000 more square feet for retail space than the previous gift shop. The 2001 annual revenue and net profits per square foot did not increase proportionately for the added retail space in the new building.

Overall, the gift shop has positive financial performance for 2001 as well as in other recent years. Further, our consultant indicated his belief that the gift shop's operations are well managed by Hogle Zoo. As a result, it does not appear likely that outsourcing the gift shop would increase Hogle Zoo's profits. But, as stated earlier, the gift shop would have been better off in terms of profitability if it had remained in the previous building at this point in time.

Additional Profits May Be Possible If Food Services Are Outsourced

Food services are also making a profit but their financial performance is not as high as the gift shop. It is possible that food services' profits may increase if outsourced to a concessionaire.

The following financial performance measurements were used to analyze food services:

- Annual return on investment (ROI)
- Annual change in actual dollar sales and profits
- Annual sales and profit per capita

As can be seen, three of the financial measurements used to analyze the gift shop were also used to analyze food services. The annual sales and profit per square foot measurement was not used because that indicator is typically used in retail operations and based on retail floor space.

Food Services' Annual Return Decreased with New Investment

With the new food pavilion, foods services' ROI decreased 8 percent in 2001.

Food services' ROI decreased in 2001 because of the pavilion, a new investment that is part of the entryway project. The pavilion, which cost $785,000 to construct, is used for catered events. The ROI for food services in 2001 is 11 percent. The ROI for food services in 2000 was 20 percent.

Not only is the 2001 ROI relatively low when compared to 2000's performance, the same is also true of the 1999 ROI. Specifically, the 1999 ROI was 13 percent. This performance was due to an increase in salary expense. A supervisor was hired in 1999, and it appears some additional seasonal employees were also hired. Nonetheless, using an 8 percent return as a benchmark, food services is getting a favorable return.

Actual Dollar Sales and Profits Show Recent Increases

For the last two years, food services have shown an increase in actual dollar sales and profits. In the past, however, food services' profits have sometimes struggled as shown in Figure 30.

In calculating food services' sales and net profits, we standardized the reporting of two elements. As a result, the sales and net profit that we report differs from what Hogle Zoo reports. First, we standardized the utility expense. Prior to 1998, utility expenses were assessed and reported as one of the food services' expenses. In our opinion, this assessment was appropriate. Certainly, utilities are used when food is prepared and served. However, in 1998 these utilities expenses were removed as a food expense item and were instead reported in the maintenance budget. Since this expense is significant and needs to be included to equally compare annual profits between different years, we included a utility expense estimate for 1998 through 2001.

Second, we standardized the reporting of stroller revenue and expense. Our analysis placed this revenue and expense item in souvenirs rather than food. Historically, Hogle Zoo has shifted stroller revenue and expense between food and souvenirs.

Figure 30. Food Services' Annual Sales and Profit at Hogle Zoo—1996 to 2001. Sales increased six percent in 2000 but only two percent in 2001 when the new pavilion was available for use.

Year	Sales	Profit	Profit Percentage	Sales Per Capita	Profit Per Capita
2001	$ 888,943	$137,348	16%	$ 1.29	$ .20
2000	868,752	117,161	14	1.22	.16
1999	827,317	65,871	8	1.07	.09
1998	684,995	69,206	10	1.07	.11
1997	822,496	172,711	21	1.00	.21
1996	652,900	100,694	15	.98	.15

In 2001, food services' profit increased 17 percent.

In 2001 profits increased 17 percent while in 2000 profits increased 78 percent over the previous year. Food services had its worst performance in 1999 with a profit percentage of only 8 percent and a profit per capita of $.09. Curiously, it was 1999 in which souvenirs had its highest profit and profit percentage. Food salary expenses were very high in 1999.

Hogle Zoo's Financial Performance Lags That of Zoos Which Outsource

Zoos which outsource food services receive, on average, a higher profit percentage than Hogle Zoo. Further, Hogle Zoo's sales and net profit per capita are low when compared to other zoos which outsource food services. Because of this comparatively low net profit, we believe that Hogle Zoo should seriously explore the option of outsourcing food services.

We were specifically asked by the Legislature to determine if concessions should be privatized. We first contacted other zoos to find out how their concessions are managed. We were advised by other zoos that selling concessions through a franchise, such as McDonald's, is usually not profitable unless the zoo has a high attendance throughout the year. Because Hogle Zoo has peak, seasonal, and low attendance flow, a franchise is probably not the best option for Hogle Zoo. But there are food service businesses that provide concessions mainly for zoos, and this option appears worth considering. One such concessionaire agreed to provide us with detailed financial data on all the zoos with which he has a contract.

Of the twelve zoos which outsource food, only three had a smaller profit percentage than Hogle Zoo.

These twelve zoos have their commission percentage based on annual sales revenue. In 2000, profit as a percent of revenue for nine of the twelve zoos reviewed ranged from a low of 18 percent to a high of 28 percent. For this same year, Hogle Zoo's profit as a percent of sales was 14 percent (as shown in Figure 30). Thus, these nine zoos received, at a minimum, four percent more in profit than Hogle Zoo in 2000. Only three of the zoos reviewed received a smaller profit percentage than Hogle Zoo (specifically, profit percentages of 4, 8 and 12 percent).

Hogle Zoo's sales and net profit per capita are also low when compared to other zoos which outsource food services. Figure 31 compared Hogle Zoo's 2000 performance with other zoos' performance in 2000.

Figure 31. Food Services' Per Capita Comparison for Hogle Zoo and Eleven Other Zoos, Year 2000. Food Services' performance is low compared to zoos which outsource.

Zoo	Sales Per Capita	Zoo	Net Profit Per Capita
A	$ 2.61	A	$ .57
B	2.10	C	.51
C	1.92	B	.50
D	1.73	D	.38
E	1.56	I	.38
F	1.48	E	.36
G	1.37	J	.34
H	1.34	G	.25
I	1.34	H	.24
J	1.28	HOGLE	.16
K	1.24	L	.14
HOGLE	1.22	K	.10
L	1.13	F	.06

Hogle Zoo's sales and net profit on food services are low compared to other zoos.

Hogle sales per capita and net profit per capita are low compared to other zoos' food services. For the sales per capita, Hogle ranks twelfth out of thirteen sampled zoos. For the net profit per capita, Hogle ranks tenth out of thirteen zoos. These comparisons, as well as the previous one comparing profit percentages, show that there is a potential for additional earnings if food services are outsourced.

As mentioned earlier, there are businesses which specialize in managing the food services of zoos, aquariums, and other similar types of organizations. Even though food services have had recent increases, the results of performance comparisons indicate that outsourcing food services has the potential to provide greater profits to Hogle Zoo. In our opinion, Hogle Zoo should seriously explore the option of outsourcing food services.

Catering Revenue Increased in 2001 As Did Investment Costs

A component of food services is catered events. The catering revenue dramatically increased in 2001 due to a new event pavilion which was completed in spring 2001 and is a part of the entryway complex. The new pavilion (which includes a serving room) has 7,497 square feet and cost $785,000 to build. The previous pavilion had only 1,200 square feet. It was completed in 1964 and cost $25,000 to build. With the additional space, the number of people served increased in 2001 from previous years. Figure 32 shows the annual revenues and the number of people served at catered events for the last four years.

Figure 32. Catering Revenue Over Time. Catering revenue increased 129 percent in 2001 while revenue per capita increased 22 percent.

Year	Revenue	People Served	Revenue Per Capita
2001	$160,655	11,063	$ 14.52
2000	57,545	4,841	11.89
1999	56,762	6,510	8.72
1998	53,600	6,860	7.81

Catering revenues have increased but net profit is unknown.

The annual revenues from 1998 to 2000 are similar, but in 2001 revenue increased 179 percent while people served increased 129 percent. On the other hand, the revenue per capita increased 22 percent. Unfortunately, while catering revenues are known, exact catering costs are unknown. As a result, net profit—a very important measure, is unknown.

Catering Expenses Should Be Grouped Separately From Other Food Expenses

Currently the food services department does not separate catering expenses from other food service expenses except for salaries. In order to assess catering profitability, it is critical that catering costs are maintained in detail and one separate from other food expenses. In our opinion, Hogle Zoo should maintain accurate cost records which would enable the catering manager to determine exactly how much it costs (in terms of labor and materials) to produce each type of dinner offered. The catering manager can then establish a price per type of dinner which includes the production costs, overhead costs, and desired profit.

Recommendations:

1. We recommend that Hogle Zoo determine if a food service concessionaire would provide Hogle Zoo with increased net profits.

2. We recommend that the catering net profit be precisely identified from both an overall and a per dinner perspective.

Appendix

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Appendix A

Figure A. Reconciliation of Expense Items in Hogle Zoo Report Given to the Audit Subcommittee with Salt Lake County Expense Categories, 1997.

Salt Lake County Expense Categories	Audit Subcommittee Expense Item	Expense Amount
Marketing	Advertising	$150,082
	Marketing Expense	$152,098
		$302,180
Maintenance	Zoo Fencing	$7,794
	New Gas Lines	$22,889
	Zoo Equipment	$14,126
	3 New Vehicles	$45,534
		$90,343
Capital Projects	Monkey Forest	**$360,312**
General Administration	Administrative Equipment	$18,191
	Administrative Expense	$792,051
		$810,242
Collections/Exhibits	Cheetah Housing	**$32,638**

Figure B. Reconciliation of Expense Items in Hogle Zoo Report Given to the Audit Sub-committee with Salt Lake County Expense Categories,1998.

Salt Lake County Expense Categories	Audit Subcommittee Expense Item	Expense Amount
Contract Services	Master Plan	$86,903
	Strategic Plan	$73,802
	Professional Services	$84,000
		$244,705
Animal Care	Animal Care Equipment	$28,480
	Refurbish Exhibits	$35,250
	Monkey Forest Exhibit	$8,616
		$72,346
Marketing	Advertising	$201,075
	Marketing Expense	$97,795 *
		$298,870
Maintenance	Maintenance	**$82,036**
Capital Projects	Parking lot Improvement	$175,545
	Children's Playground	$42,979
	Entry Fence	$9,466
	Public Restrooms	$121,245
		$349,235
General Administration	Administrative Expense	**$249,143**
Education	Education	**$161,652 ***
Food Concessions	Food Concessions	**$177,829**
Other	Office Equipment	$53,279
	Pick-up	$10,450
	Kubota Tractor	$27,791
	Cathodic Protection	$9,697
		$101,217

* Hogle Zoo reported a $97,795 marketing expense and a $161,652 education expense to the audit subcommittee. In Hogle Zoo's report to Salt Lake County, $85,252 of this marketing expense and $97,019 of this education expense were reported as salary expense.

Figure C. Reconciliation of Expense Items in Hogle Zoo Report Given to the Audit Subcommittee with Salt Lake County Expense Categories, 1999.

Salt Lake County Expense Categories	Audit Subcommittee Expense Item	Expense Amount
Contract Services	Zoo Assessment	$54,929
	Amphitheater	$71,782
		$126,711
Marketing	Marketing	$225,184
	Fund Raising	$96,665
		$321,849
Maintenance	Desert Canyon Walks	$25,316
	Desert Canyon Heating	$33,654
		$58,970
Capital Projects	South Parking Lot	$4,336
	Entry Plaza	$936,597
	Admission Booth	$22,404
		$963,337
General Administration	Supplies and General	$76,559
	Equipment	$34,367
		$110,926
Collections Exhibits	Komodo Dragon	$29,357
	Prairie Dog	$16,989
		$46,346
Education	Education	**$186,504**

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Agency Response

Response To

"A Performance Audit of Hogle Zoo" (Report No. 2002-02)

Prepared by

Craig Dinsmore, Executive Director

For

Utah Zoological Society
April 18, 2002

INTRODUCTION AND GENERAL RESPONSE

Contrary to the opening statement of the audit report, **Utah's Hogle Zoo is not "struggling".** We are, rather, in transition from an old-fashioned, out of date menagerie to a modern zoological park with improved animal care and facilities, more professional staff, and better business practices. This process only began a few short years ago, and it is far from complete. Our progress to date has been significant.

Because this report is called a "performance audit," it is assumed that the auditors are knowledgeable about the operation of the subject agency. **The audit team has never evaluated a zoo in any capacity.** Similarly, the consultant they employed for traffic and capacity evaluation had never studied a zoo before. Finally, one former zoo director provided significant editorial and anecdotal opinions based on his personal experience. While valid, these opinions should not be considered as definitive, any more than a former Ford executive's opinions would define the entire automotive industry.

There are significant omissions in the report. No mention is made of the extensive educational programs the zoo conducts both on site and throughout the state. There is **no evaluation of** the significant management policy and procedural changes made in the last five years that have led to **significant improvements in animal husbandry, environmental enrichment, and veterinary care for the zoo's animal residents.**

A modern zoo is a complex mix of operations, and only a few were examined by this audit. We care for a diverse, valuable, and in many cases, endangered collection of living animals. We also provide a wide range of recreational opportunities and services to our communities. In addition, we strive to contribute to conservation education and action with a tremendous array of in-house and outreach programs. Interwoven through all of these efforts is our commitment to act as a responsible and effective business, as Utah's Hogle Zoo is a registered 501(c)3 not-for-profit corporation.

There is a significant amount of information in the audit report, and some noteworthy findings. Most important is the fact that **no laws were broken and no statutes have been violated.** In fact, the zoo's tax funded expenditures were found to be "adequate and acceptable."

As a 501(c)3 not-for-profit corporation, Utah's Hogle Zoo is governed by a Board of Trustees. All of the opinions and recommendations expressed in the report will be given due consideration by the Board of Trustees as they deliberate on the future direction of Utah's Hogle Zoo.

PLEASE NOTE

In the following sections, the Audit Heading from the Digest is in underlined bold type.
These are the auditors' conclusions.
Our response follows each heading.

RESPONSE TO DIGEST OF
"A PERFORMANCE AUDIT OF HOGLE ZOO"

Audit Heading: Hogle Zoo is not Performing Well in the Market.

The auditors' market share comparisons were based on a few other zoos of comparable size, but did not include comparisons with local market competition such as Red Butte Gardens, This Is The Place Heritage Park, Thanksgiving Point, Lagoon, professional sports events, State Parks, National Parks, etc. Statistics show that many recreational venues in Utah have had flat or decreasing market share. We also compete with shopping malls, megaplex theaters, and home entertainment technologies. Many of these competitive activities didn't even exist ten years ago in this market. Several of these competing cultural/leisure facilities have developed dramatically in recent years due to sustained capital investment. We believe that Hogle Zoo is performing reasonably well in this more diverse, and certainly more competitive market.

The report also does not take into consideration the population trends of our area in comparison to other major cities. Salt Lake City is one of the few major urban areas that are growing steadily. Maintaining market share in a city with stable or decreasing population is certainly easier than keeping pace with one of the fastest growing urban areas in the U.S. Finally, there are a number of fine zoos with smaller market shares than ours. In the final analysis, we believe the quality and value of the zoo experience is more important than the number of people through the gate.

We agree with the report that new and improved exhibits and facilities would likely help increase the zoo's market share.

Audit Heading: Present Site is Too Small.

We disagree that the current zoo site is too small to merit further development. The 1999 Zoo Master Plan takes into account the shortage of parking and provides for increased animal habitat space. If fully implemented, the Master Plan will create a high-quality zoo experience in a beautiful setting with a rich history and community attachment. Whether the current site can accommodate one million visitors annually is secondary to the quality of the experience. However, there is no question that a new and/or larger site would provide opportunities for zoo development that would exceed the potential of the current site.

We agree that significant public funding will be necessary to rebuild Hogle Zoo on any site.

Audit Heading: Construction of the Entryway is Concerning.

We emphatically disagree with the report's criticism of the construction of the zoo's new Entry Plaza. This decision was carefully analyzed and prudently carried out by the Board of Trustees. At the time construction began the question of relocation was raised, but the cost, location, and legislative support for such a move was uncertain, and it still is! We needed to move forward and begin major improvements to our aging zoo. The Entry Plaza was specifically designed as an environmentally responsible, multi-function area. It provides needed improvements in guest services, such as better security, new restrooms, and a first aid room. It also improved revenue earning potential with a new gift shop, train depot, and special events pavilion. If relocation were to become feasible in the near future, the majority of the entry facilities would have a viable "second life" in a park setting on the site. This would not have been possible if highly specialized animal exhibits were built instead.

We also disagree strongly with the presumption that constructing one or more animal exhibits would provide a better return on investment and revenue generation than the entry facilities. Based on the experiences of other zoos, this conclusion is incorrect. New animal exhibits in the $3-8 million range will generally only sustain attendance (revenue) increases for one to two years before attendance and interest level off. A really "big bang" exhibit that might sustain attendance growth for years could cost more than twice what was spent on the entry plaza.

Audit Heading: Both Expenditures and Savings Increased upon Receipt of ZAP Funding.

There is no question that combined state funding and ZAP funding have contributed greatly to Hogle Zoo's progress over the past five years. These funds have been used to improve staffing and programs, utilities and infrastructure, facility maintenance, and repairs and capital improvements. As noted, combining ZAP funding with our own earned and contributed revenues enabled us to build the new Entry Plaza without any long-term debt load.

Audit Heading: Maintenance and Care of Animals Has Improved.

We agree with this overall conclusion, but disagree with the concerns regarding animal death rates and animal sales. By any qualified, professional evaluation method, Hogle Zoo has dramatically improved its animal care programs since 1997. Exhaustive inspections by USDA over the past several years resulted in an unprecedented commendation from them in 2000, acknowledging our cooperation and progress. Further, an intensive performance audit by the American Association of Zoos and Aquariums (AZA) resulted in Hogle Zoo becoming one of only 205 fully accredited zoos in North America.

All animal transactions since 1997 have strictly adhered to the professional and ethical standards of the AZA and USDA, and any animal recipient suspected of questionable actions is removed from our list of approved parties.

Finally, we consider any human-caused or facility-related animal deaths to be unacceptable, but the data used to establish comparisons were incomplete and unsubstantiated. There is no accepted standard for such incidents because every modern, ethical zoo strives to eliminate them. Our record over the past five years demonstrates that commitment.

Audit Heading: Administrative Expenditures are not Alarming.

We agree with this conclusion, but believe, in fact, that Hogle Zoo's administrative expenditures reflect the aggressive efforts the zoo has made to improve programs, services, and management. For example, in the past three years we have added our first full-time Information Management specialist, first FT Human Resources Manager, and a FT Security Manager. These, and other changes have been prudent and necessary to achieve AZA accreditation and modern business practices.

Audit Heading: Related Party Transactions Should Cease.

We disagree with this conclusion, but agree that better disclosure and reporting are necessary. The audit fails to acknowledge that prudent related-party transactions are fairly common practice in the non-profit area, and that utilizing board member expertise and related services can be very beneficial to the organization. We have already initiated an annual conflict of interest disclosure form for all board members, and we have committed to be more diligent in documenting the tangible benefits received from such transactions.

Audit Heading: State and ZAP Expenditures Not Known With Certainty.

We disagree with the conclusion, as it suggests that Hogle Zoo has neglected to report the use of taxpayer funds as requested. DCED and the Salt Lake County ZAP Committee have always considered our reporting procedures adequate. If different reporting methods are requested, we will certainly provide them.

Audit Heading: Concessions' Overall Financial Performance is Reasonable.

We agree with the general conclusion, but disagree with the assessment of the new gift shop. The Entry Plaza only opened at mid-year, and generated a significant increase in sales over the remainder of 2001. This year will be the first full year of operation for all of the entry facilities, and we project significant increases in total revenues and per capita sales. Likewise, catering revenues will likely increase dramatically as rentals of the new pavilion increase.