

County of Milwaukee
Interoffice Communication

Date: March 28, 2014
To: Supervisor Marina Dimitrijevic, Chairwoman, Board of Supervisors
From: Josh Fudge, Director, Office of Performance, Strategy, and Budget
Subject: Due Diligence Report for a Memorandum of Understanding between the Milwaukee County Zoo and the Milwaukee County Zoological Society.

Issue & Background

I respectfully request that this report be forwarded to the appropriate standing committee(s).

The Milwaukee County Zoo (Zoo) requests approval to enter into a Memorandum of Understanding (MOU) with the Milwaukee County Zoological Society (Society) regarding operations and support of the Milwaukee County Zoo.

The Society was founded in 1910 to purchase animals and provide funding for the Zoo. The Zoo and Society have entered into several agreements specifying the level of support that the Society provides to the Zoo. A MOU from November 1996 is currently in effect. At its February 11, 2014 meeting, the Society Board of Directors approved the draft agreement that is before the County Board in the April 2014 cycle.

The Department of Administration – Office of Performance, Strategy, and Budget (DAS-PSB), Corporation Counsel, and Risk Management (Risk) have reviewed the draft proposal with the Society.

Analysis

Applicable portions of the requirements of MCGO 32.88(4) are listed below:

Letter of Full Disclosure

The Society provided a letter outlining their intention to comply with the provisions of MCGO 32.88 and attached the required documentation.

Org Chart / Mission Statement

The Society provided an organizational chart. Their mission statement is:

“The mission of the Zoological Society of Milwaukee is to take part in conserving wildlife and endangered species, to educate people about the importance of wildlife and the environment, and to support the Milwaukee County Zoo.”

Cash Flow Projections

Cash flow information is available for Fiscal Years 2010 through 2012 and is listed below. It is not expected that there are any significant changes from these years to future years. The Society's Fiscal Year starts in October and ends in September of the next year. 2012 is the most recent year with available data.

<u>Fiscal Year</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Personnel	1,781,736	1,876,428	1,861,651
Grants	1,190,927	1,376,285	1,541,215
Direct Zoo Support	3,850,040	3,683,233	4,279,392
Other Expenses	1,690,725	1,520,303	1,665,736
Total EXP	8,513,428	8,456,249	9,347,994
Membership Dues	5,469,307	5,169,306	5,948,973
Contributions	2,605,336	1,758,187	2,584,059
Program Revenue	511,906	494,789	502,121
Investment Income	109,384	132,906	99,856
Fundraising Events	302,871	313,669	385,094
Total REV	8,998,804	7,868,857	9,520,103
REV less EXP	485,376	(587,392)	172,109

Based on these figures and the recent performance of the Society, the term of the proposed agreement appear to be reasonable and attainable.

County Operating Budget Impact

Under the current agreement, the direct support from the Society to the Zoo consists of reimbursement for the parking fee for each "Parking Plus" member less \$1 up to an annual cap of \$1,648,142. The Zoo and the Society also negotiate on an annual basis a direct cash contribution to the Zoo. In 2013, the Zoo received approximately \$3.0 million in direct cash contributions from the Society. In the proposed agreement, the previous contribution structure is eliminated. Instead, the Zoo would receive half of the total revenue of Zoo Pass membership. Based on the proposed agreement and membership projections by the Society, the Zoo is expected to receive approximately \$3.2 million in direct cash contributions. The proposed agreement also includes guidelines on the relationship between admission rates and the Zoo Pass memberships to keep the ratio between the two fees consistent.

Debt Management

The Society indicates they do not hold any debt and do not plan to incur any debt due to the proposed agreement.

Legal Liability

The Society indicates that there are no outstanding legal issues. However, a letter from the legal firm representing the Society has not been received by DAS as of the submittal date of this report.

Financial Reporting Systems

The Society has a finance/accounting staff of three employees, including one CPA. Additionally, a private firm is retained to perform an annual audit.

Right-To-Audit Provisions

Section 8 of the proposed agreement states that the Society shall provide to the County its audited financial statements and management letter on an annual basis.

Project Feasibility

No feasibility study was conducted. Based on the successful partnership between the Zoo and the Society for over 100 years, the proposed venture is likely feasible.

Governance Structure, Procedures, and Tax Consequences

The Society is registered as a charitable organization in Wisconsin and a 501(c)(3) tax-exempt organization by the IRS. The Society provided a copy of their Articles of Incorporation and Bylaws.

Employee/Labor Relations Impacts

The Society is not involved in any labor contracts. The Zoo will likely need to devote staff time to ensuring that the terms of the agreement are fulfilled. A need for additional County staff is not anticipated.

Environmental Concerns

No potential environmental concerns have been identified.

Capital Management/Maintenance

From time to time, the Society may contribute to capital projects related to the Zoo. The County and Society will execute a specific agreement describing the sources and uses of the funds and other relevant details related to scheduling and project management. The agreement does not guarantee any contribution from the Society for any capital projects.

Conflict of Interest/Ethics

The Society has stated they are aware of the Milwaukee County Ethics Code and to their knowledge no potential conflicts of interest exist.

Name of Bank to Determine Single or Combined Reporting

The society maintains accounts at BMO Harris Bank, 770 N. Water St, Milwaukee, WI 53202.

Recommendation

Upon review of the available information, and upon consultation with Corporation Counsel, Risk Management, and Parks. DAS-PSB recommends approval of the draft agreement.

Josh Fudge, Director, Office of Performance, Strategy, and Budget

cc: Chris Abele, County Executive
Supervisor Marina Dimitrijevic, Chair, County Board of Supervisors
Amber Moreen, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Chuck Wikenhauser, Director, Zoo
Vera Westphal, Deputy Director (Admin/Finance, Zoo)
Don Tyler, Director, Department of Administrative Services
Jessica Janz-McKnight, Office of the Comptroller
Stephen Cady, Office of the Comptroller