

# NORTH CAROLINA GENERAL ASSEMBLY



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## HOUSE SELECT COMMITTEE ON PUBLIC- PRIVATE PARTNERSHIPS

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### INTERIM REPORT TO THE 2012 SESSION of the 2011 GENERAL ASSEMBLY OF NORTH CAROLINA

APRIL, 2012

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## TRANSMITTAL LETTER

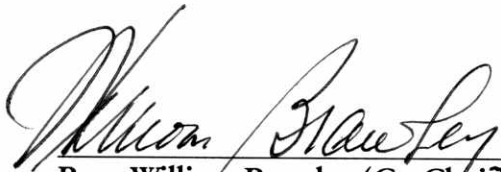
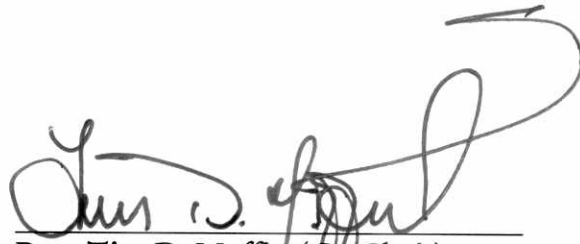
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April 24, 2012

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TO THE MEMBERS OF THE 2012 REGULAR SESSION  
OF THE 2011 GENERAL ASSEMBLY

The HOUSE SELECT COMMITTEE ON PUBLIC-PRIVATE PARTNERSHIPS,  
respectfully submits the following interim report to the 2012 Regular Session of the  
2011 General Assembly.

  
Rep. William Brawley (Co-Chair)  
Rep. Tim D. Moffitt (Co-Chair)

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## COMMITTEE PROCEEDINGS

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The House Select Committee on Public-Private Partnerships met six times after the 2011 Regular Session. The following is a brief summary of the Committee's proceedings. Detailed minutes and information from each Committee meeting are available in the Legislative Library.

The first and second Committee meetings, held December 12, 2011 and January 10, 2012, heard general presentations explaining public-private partnerships including the past experience with public-private partnerships in North Carolina and Virginia. During the third Committee meeting held February 17, 2012, the Committee heard presentations seeking legislative action to allow the NC Zoological Park and county governments to use public-private partnerships. The fourth Committee meeting, held April 4, 2012, heard a presentation by the NC Department of Transportation outlining the Department's ongoing experience with public-private partnerships.

The fifth Committee meeting considered the legislation sought by the NC Zoological Park during the third meeting. Appendix D of this Interim Report contains the presentation given by Dr. David Jones, Director of the NC Zoological Park, during the third meeting. Dr. Jones gave an abbreviated version of the same presentation during the fifth meeting.

The Committee discussed a bill draft and instructed staff to revise the draft for consideration on April 24, 2012 as a Committee recommendation. The Findings and Recommendations in this Interim Report reflect the Committee discussions on the NC Zoological Park during the third and fifth Committee meetings. The Legislative Proposal appears as Appendix C of this Interim Report. A summary for the Committee's Legislative Proposal appears in Appendix D of this Interim Report.

The Committee anticipates offering a final report as required by the Committee charge. The Committee Charge appears as Appendix B of this Interim Report.

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## FINDINGS AND RECOMMENDATIONS

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The House Select Committee on Public-Private Partnerships makes the following findings and recommendation to the 2012 Session of the 2011 General Assembly of North Carolina:

### NC ZOOLOGICAL PARK

#### **FINDINGS: The Committee finds the following:**

1. The NC Zoological Park has successfully served its mission as one of the world's largest natural habitat zoos and has promoted education and the appreciation of animals. Additionally, the Zoo has increased the economic development of the surrounding communities through tourism.
2. The NC Department of Environment and Natural Resources (DENR) currently operates the NC Zoological Park. Within DENR, the NC Zoological Park Council is a 15-member board appointed by the Governor to advise DENR on Zoo matters.
3. The NC Zoological Park requested the Committee to consider legislation authorizing a public-private partnership for the Zoo. The Zoo seeks a public-private partnership arrangement that would not be subject to State rules for employees, construction, contracting, and potential reversion of appropriated or earned funds.
4. The NC Zoological Park needs significantly increased appropriations in future years to maintain the current quality of the Zoo. The Zoo also has \$30 million in deferred maintenance. The General Assembly has appropriated slightly more than \$11 million each year to the Zoo during the last 4 fiscal years (2007 2011).
5. Moving the operation of the Zoo to a public-private partnership would allow the Zoo to increase revenue without increasing the annual appropriation, maintain current quality, plan and build a long-term expansion with new exhibits, and increase private fundraising. The Zoo would need \$10 million annually from State appropriations to make the Zoo economically viable. The Zoo would also need \$30 million over 6 years for deferred maintenance because private donors do not desire to fund low-visibility infrastructure.

**RECOMMENDATION:** Therefore, the Committee recommends **Legislative Proposal #1, An Act to Create a Public-Private Partnership for the North Carolina Zoological Park**, which would direct the North Carolina Department of Environment and Natural Resources (DENR) to enter into a public private partnership with the North Carolina Zoological Society, Inc. (Zoo Society) to



**operate the North Carolina Zoological Park under a management agreement between DENR and the Zoo Society starting January 1, 2013 with an initial term of 25 years.**

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## COMMITTEE MEMBERSHIP

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2011-2012

**Speaker of the House of Representatives Appointments:**

Rep. Tim D. Moffitt (Co-Chair)  
Rep. William Brawley (Co-Chair)

Rep. Becky Carney  
Rep. James W. Crawford, Jr.  
Rep. David R. Lewis  
Rep. Daniel F. McComas  
Rep. Wm. C. "Bill" McGee  
Rep. Rodney W. Moore  
Rep. Tom Murry  
Rep. Bill Owens  
Rep. Fred F. Steen, II

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## **COMMITTEE CHARGE/STATUTORY AUTHORITY**

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Office of Speaker Thom Tillis  
North Carolina House of Representatives  
Raleigh, North Carolina 27601-1096

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HOUSE SELECT COMMITTEE ON  
PUBLIC-PRIVATE PARTNERSHIPS

TO THE HONORABLE MEMBERS OF THE  
NORTH CAROLINA HOUSE OF REPRESENTATIVES

**Section 1.** The House Select Committee on Public-Private Partnerships (hereinafter "Committee") is established by the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1) and Rule 26 of the Rules of the House of Representatives of the 2011 General Assembly.

**Section 2.** The Committee consists of the 11 members listed below, appointed by the Speaker of the House of Representatives. Members serve at the pleasure of the Speaker of the House of Representatives. The Speaker of the House of Representatives may dissolve the Committee at any time.

Representative Tim Moffitt, Co-Chair
Representative Bill Brawley, Co-Chair
Representative Danny McComas
Representative Bill McGee
Representative Tom Murry
Representative David Lewis
Representative Fred Steen
Representative Jim Crawford
Representative Becky Carney
Representative Bill Owens
Representative Rodney Moore

**Section 3.** The Committee may study issues related to public-private partnerships, including examination of the appropriate authority for State, regional, and local government units to engage in public-private partnerships for public capital projects through a regulatory framework. As part of its study, the Committee may study infrastructure banks and any other relevant issues it deems appropriate.

HOUSE SELECT COMMITTEE ON PUBLIC-PRIVATE PARTNERSHIPS

**Section 4.** The Committee shall meet upon the call of its Co-Chairs. A quorum of the Committee shall be a majority of its members.

**Section 5.** The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120 of the General Statutes.

**Section 6.** Members of the Committee shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1.

**Section 7.** The expenses of the Committee including per diem, subsistence, travel allowances for Committee members, and contracts for professional or consultant services shall be paid upon the written approval of the Speaker of the House of Representatives pursuant to G.S. 120-32.02(c) and G.S. 120-35 from funds available to the House of Representatives for its operations.

**Section 8.** The Legislative Services Officer shall assign professional and clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the House of Representatives shall assign clerical support staff to the Committee.

**Section 9.** The Committee may submit an interim report on the results of the study, including any proposed legislation, on or before May 1, 2012, by filing a copy of the report with the Office of the Speaker of the House of Representatives, the House Principal Clerk, and the Legislative Library. The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the House of Representatives prior to the convening of the 2013 General Assembly by filing the final report with the Office of the Speaker of the House of Representatives, the House Principal Clerk, and the Legislative Library. The Committee terminates upon the convening of the 2013 General Assembly or upon the filing of its final report, whichever occurs first.

Effective this the 15th day of September, 2011.



Thom Tillis  
Speaker

**§ 120-19.6. Interim committee activity; rules.**

(a) Upon a general directive by resolution of the house in question or upon a specific authorization of either the Speaker of the House, President of the Senate, President Pro Tempore of the Senate or the Speaker Pro Tempore of the House, any standing committee, select committee or subcommittee of either house of the General Assembly is authorized to meet in the interim period between sessions or during recesses of the General Assembly to consider specific bills or resolutions or other matters properly before the committee. No particular form of authority is needed, but this section is intended to promote better coordination by having a system of authorization for meetings of the committees of the General Assembly between sessions or during recesses. Meetings will be held in Raleigh, but with the approval of the Speaker or Speaker Pro Tempore, a House committee may meet elsewhere; and with the approval of the President or President Pro Tempore, a Senate committee may meet elsewhere. In addition, committees may meet at such places as authorized by specific resolution or action of either body of the General Assembly.

(a1) The Speaker of the House or the President Pro Tempore of the Senate may authorize, in writing, the creation of interim study committees to study and investigate governmental agencies and institutions and matters of public policy to assist that chamber in performing its duties in the most efficient and effective manner. The Speaker of the House or the President Pro Tempore of the Senate may appoint members of the relevant chamber, State officers and employees, and members of the public to the interim study committee. An interim study committee created under this subsection shall be deemed a committee of the relevant chamber for the purposes of this Article. Interim study committee members who are State officers and employees or members of the public shall receive subsistence and travel expenses as provided in G.S. 120-3.1, 138-5, or 138-6, as appropriate.

(b) In all other respects, committees shall function in the interim period between sessions or during recesses in the same manner and under the rules generally applicable to committees of the house in question of the General Assembly during the session of the General Assembly.

(c) Any committee during the interim period that meets upon specific authorization of the Speaker of the House, President of the Senate, President Pro Tempore of the Senate or Speaker Pro Tempore of the House shall limit its activities to those matters contained in the authorization, and shall suspend its activities upon written directive of such officer. Any interim committee that meets upon a directive by resolution of the house in question of the General Assembly shall limit its activities to those matters contained in the authorization. (1973, c. 543; 2001-491, s. 33.2.)

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## LEGISLATIVE PROPOSAL

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**Legislative Proposal #1:**  
***An Act to Create a Public-Private Partnership  
for the North Carolina Zoological Park***

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

H

D

HOUSE DRH90142-LBza-422E (03/30)

Short Title: NC Zoo Public-Private Ptshp.

(Public)

Sponsors: Representative.

Referred to:

A BILL TO BE ENTITLED  
AN ACT TO CREATE A PUBLIC-PRIVATE PARTNERSHIP FOR THE NORTH  
CAROLINA ZOOLOGICAL PARK, AS RECOMMENDED BY THE HOUSE  
SELECT COMMITTEE ON PUBLIC-PRIVATE PARTNERSHIPS.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** Part 22 of Article 7 of Chapter 143B of the General Statutes (North Carolina Zoological Park Council) is repealed.

**SECTION 1.(b)** Any assets of the Zoo Fund established under Part 22 of Article 7 of Chapter 143B of the General Statutes at the time of its repeal shall be administered by the Department of Environment and Natural Resources under the management agreement provided by G.S. 143-177 as amended by this act.

**SECTION 2.** Article 14 of Chapter 143 of the General Statutes reads as rewritten:

"Article 14.

"North Carolina Zoological Authority.

**"§ 143-177. Right to receive gifts, gifts, operation, and transfer of Zoo.**

(a) Purpose; Management Agreement; Transfer of Zoo. – The North Carolina Zoological Park (Zoo) maintains a diverse collection of plant and wildlife specimens in order to study, conserve, and introduce to people the species of the world. The North Carolina Department of Environment and Natural Resources is directed to enter into a management agreement with the North Carolina Zoological Society, Inc., (Society) for a term not to exceed 25 years with options to renew at the end of each term for the Society to maintain and operate the Zoo. The management agreement shall require that the Zoo provide free admission to North Carolina school students visiting the Zoo as part of an in-school tour group. The Society shall carry out the following minimum duties with respect to the Zoo:

- (1) Providing park and outreach operation.
- (2) Planning for and implementation of maintenance and expansion.
- (3) Providing construction, furnishings, and equipment.
- (4) Maintaining high standards of animal welfare and husbandry.
- (5) Carrying out research and practical conservation programs.
- (6) Establishing and setting admission fees.
- (7) Promoting public appreciation of animals and plants.



- 1           (8) Disseminating information about the Zoo and its programs.  
2           (9) Developing effective public support.  
3           (10) Soliciting financial and material support from various private sources  
4           within and without the State of North Carolina.  
5           (11) Maintaining the highest possible standards in the Zoo's exhibits,  
6           landscaping, and overall appearance.  
7           (12) Maintaining Association of Zoos and Aquariums (AZA) accreditation.

8       **(b) State Representation on Society Board.** – As a condition of entering into the  
9       agreement, the Society shall amend its articles of incorporation, bylaws, or other  
10       appropriate corporate document to provide that the Secretary of the Department of  
11       Environment and Natural Resources or that Secretary's designee and the Secretary of the  
12       Department of Administration or that Secretary's designee shall serve on its board of  
13       directors ex officio.

14       **(c) General Transfer Language.** – As of January 1, 2013, all of the rights,  
15       privileges, liabilities, and obligations of the North Carolina Zoological Park Council,  
16       not inconsistent with the provisions of this section, shall, under the terms of the  
17       management agreement, be transferred to and assumed by the board of directors of the  
18       Society.

19       **(d) Governance of Zoo.** – As of January 1, 2013, the Zoo and the zoological  
20       programs established or maintained by the Zoo shall be governed by the Society under  
21       the general direction of its board of directors.

22       **(e) Personal Property Transfer.** – To effect an orderly transition, the management  
23       agreement shall detail the specific personal property of the State, both tangible and  
24       intangible, that shall be transferred to the Society. The management agreement must  
25       also provide for reversion of such personal property to the State or redirection by the  
26       State if the Society ceases to exist, enters bankruptcy, terminates its management  
27       agreement with the State, or in any other way is incapable of maintaining the Zoo. The  
28       Department of Environment and Natural Resources shall transfer to the Society any  
29       personal property listed in the State asset inventory that is necessary for the operation of  
30       the Zoo, including any relevant permits, registrations, and licenses necessary,  
31       appropriate, or convenient to ownership. If any fee or other payment is required to  
32       effectuate the transfer, the Society shall pay the fee or other payment or reimburse the  
33       Department of Environment and Natural Resources for any expenditure in relation to  
34       the transfer.

35       **(f) Real Property Transfer.** – All real property currently owned by the State and  
36       allocated to the Zoo shall remain in title to the State. The State shall retain property  
37       control over all State real property at the Zoo except that the Society shall be afforded  
38       naming rights on land or fixtures owned by the State.

39       **(g) Annual Appropriations.** – As a management fee to support operation of the  
40       Zoo, the sum of ten million dollars (\$10,000,000) shall be appropriated annually by the  
41       State to the Society under the terms of the management agreement until the end of its  
42       term; except for the 2012-2013 fiscal year, it shall be the sum of five million dollars  
43       (\$5,000,000) to annualize it to the January 1, 2013, effective date of the transfer.

44       **(h) Reserve for Repair and Renovation.** – The Society shall be eligible for  
45       allocations from the Reserve for Repair and Renovation to cover current deferred  
46       maintenance on State property at the Zoo that as of January 1, 2012, totalled thirty

1 million dollars (\$30,000,000). It is the intent of the General Assembly that five million  
2 dollars (\$5,000,000) annually shall be provided to the Society from the Reserve until a  
3 total of thirty million dollars (\$30,000,000) has been satisfied. The allocation shall be  
4 administered by the the Department of Environment and Natural Resources. As initial  
5 implementation of this subsection, for the 2012-2013 fiscal year, the sum of five million  
6 dollars (\$5,000,000) is appropriated from the Reserve for Repair and Renovation to the  
7 Department of Environment and Natural Resources and provided to the Society to cover  
8 deferred maintenance on State property at the Zoo.

9 (i) Transition Costs. – The sum of three million two hundred thousand dollars  
10 (\$3,200,000) for the 2012-2013 fiscal year is appropriated from the General Fund to the  
11 Department of Environment and Natural Resources for transition expenses necessary to  
12 implement this section.

13 (j) Audit. – The Society shall be subject to audit by the State Auditor and the  
14 Performance Evaluation Division of the General Assembly.

15 (k) In order to carry out the purposes of this Article, the Board is authorized  
16 Society may to acquire by gift or will, absolutely or in trust, from individuals,  
17 corporations, or any other source money or other property, or any interests in property,  
18 which may be retained, sold or otherwise used to promote the purposes of this Article.  
19 The use of gifts shall be subject to such limitations as may be imposed thereon by  
20 donors, notwithstanding any other provisions of this Article.

21 **"§ 143-177.1. North Carolina Zoological Park Fund.**

22 All gifts made to the North Carolina Zoological Park Zoo for the purposes of this  
23 Article shall be exempt from every form of taxation including, but not by the way of  
24 limitation, ad valorem, intangible, gift, inheritance and income taxation. Proceeds from  
25 the sale of any property acquired under the provisions of this Article shall be deposited  
26 in the North Carolina State treasury and shall be credited to the North Carolina  
27 Zoological Park Zoo.

28 **"§ 143-177.2. Cities and counties.**

29 Cities and counties are hereby authorized to expend funds derived from nontax  
30 sources and to make gifts of surplus property, to assist in carrying out the purposes of  
31 this Article.

32 **"§ 143-177.3. Sources of funds.**

33 (a) It is the intent of this Article that the funds for the creation, establishment,  
34 construction, operation and maintenance of the North Carolina Zoological Park Zoo  
35 shall be obtained primarily from private sources; however, the Council Society, under  
36 the supervision and approval and with the assistance of the Secretary of Environment  
37 and Natural Resources Resources, is hereby authorized to receive and expend such  
38 funds as may from time to time become available by appropriation or otherwise from  
39 the State of North Carolina; provided, that the North Carolina Zoological Park Council  
40 Society shall not in any manner pledge the faith and credit of the State of North  
41 Carolina for any of its purposes. Real property of the State may not be pledged as  
42 collateral by the Society in any financing, nor may the annual appropriation for  
43 operating expenses be pledged as security in any financing.

44 (b) The Council with the approval of the Secretary of Environment and Natural  
45 Resources is authorized to establish and set admission fees which are reasonable and  
46 consistent with the purpose and function of the North Carolina Zoological Park.

1 **"§ 143-177.4. Capital improvement projects.**

2 (a) As provided in this subsection, for any capital improvement projects on State  
3 lands or when any State funds are used, the State shall retain design and construction  
4 oversight in the following manner:

5 (1) Capital projects over two million dollars. – The facility master plan  
6 and any plans, specifications, construction schedules, and budgets for  
7 such projects which are estimated to require the expenditure of over  
8 two million dollars (\$2,000,000) are subject to approval by the  
9 Department of Environment and Natural Resources and by the  
10 Department of Administration to ensure that State standards are met.

11 (2) Capital projects of two million dollars or less. – The Society shall,  
12 with respect to the design, construction, or renovation of buildings,  
13 utilities, and other property developments of the Zoo requiring the  
14 expenditure of two million dollars (\$2,000,000) or less, take the  
15 following actions:

16 a. Conduct the fee negotiations for all design contracts and  
17 supervise the letting of all construction and design contracts.

18 b. Develop procedures governing the responsibilities of the Zoo to  
19 perform the duties of the Department of Administration and the  
20 Director or Office of State Construction under G.S. 133-1.1(d)  
21 and G.S. 143-341(3).

22 c. Develop procedures and reasonable limitations governing the  
23 use of open-end design agreements, subject to G.S. 143-64.34  
24 and the approval of the State Building Commission.

25 d. Use existing plans and specifications for construction projects,  
26 where feasible. Prior to designing a project, the Society shall  
27 consult with the Department of Administration on the  
28 availability of existing plans and specifications and the  
29 feasibility of using them for a project.

30 e. The Society shall use the standard contracts for design and  
31 construction currently in use for State capital improvement  
32 projects by the Office of State Construction of the Department  
33 of Administration.

34 f. A contract may not be divided for the purpose of evading the  
35 monetary limit under this subsection.

36 g. Notwithstanding any other provision of Chapter 143 of the  
37 General Statutes, the Department of Administration shall not be  
38 the awarding authority for contracts awarded pursuant to this  
39 subsection.

40 h. The Society shall report annually to the State Building  
41 Commission the following:

42 1. A list of projects governed by this subsection.

43 2. The estimated cost of each project along with the actual cost.

44 3. The name of each person awarded a contract under this  
45 subsection.

1                                   4.     Whether the person or business awarded a contract under this  
2   subsection meets the definition of "minority business" or  
3   "minority person" as defined in G.S. 143-128.2(g).

4       (b)     The Society may choose to ask for review by the Department of Environment  
5     and Natural Resources and by the Department of Administration of other capital  
6     improvement projects or capital improvement projects not covered by subsection (a) of  
7     this section. No other State approval or review is required of such projects, as State  
8     review and approval is not required of capital improvement projects on Society-owned  
9     property where there is no State funding of the project.

10      (c)     The Society may enter into lease arrangements with the State to make capital  
11     improvements on State-owned property. This subsection shall be implemented as  
12     provided in the management agreement required by G.S. 143-177.

13      (d)     The Society or Department of Environment and Natural Resources may  
14     request State funding for capital improvement projects through the State's capital  
15     planning and budgeting process.

16      (e)     This subsection does not exempt any capital improvement project from  
17     review and approval by the city or county having jurisdiction over the property as may  
18     be required by law.

19      (f)     Notwithstanding the provisions of Chapter 143C of the General Statutes, the  
20     Society may approve (i) expenditures to plan a capital improvement project of the Zoo,  
21     the planning for which is to be funded entirely with non-General Fund money, (ii)  
22     expenditures for a capital improvement project of the Zoo that is to be funded and  
23     operated entirely with non-General Fund money, or (iii) a change in the scope of any  
24     previously approved capital improvement project of the Zoo, provided that both the  
25     project and change in scope are funded entirely with non-General Fund money. The  
26     Society shall report any expenditure made pursuant to this subsection to the Office of  
27     State Budget and Management and to the Joint Legislative Commission on  
28     Governmental Operations."

29             **SECTION 3.** This act becomes effective January 1, 2013, except that the  
30     Department of Environment and Natural Resources and the North Carolina Zoological  
31     Society, Inc., may enter into the management agreement provided by G.S. 143-177, as  
32     amended by this act, at any time prior to that date, and the Department of Environment  
33     and Natural Resources may also act on any transitional requirements prior to that date.  
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## **SUPPORTING DOCUMENTATION**

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## Bill Draft 2011-LBza-422E: NC Zoo Public-Private Ptshp.

2011-2012 General Assembly

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<b>Committee:</b>	House Select Committee on Public-Private Partnerships	<b>Date:</b>	April 24, 2012
<b>Introduced by:</b>		<b>Prepared by:</b>	Greg Roney
<b>Analysis of:</b>	2011-LBza-422E		Committee Counsel

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**SUMMARY:** *The Bill Draft would direct the North Carolina Department of Environment and Natural Resources (DENR) to enter into a public-private partnership with the North Carolina Zoological Society, Inc. (Zoo Society) to operate the North Carolina Zoological Park (Zoo).*

*The public-private partnership would operate through a management agreement between DENR and the Zoo Society with the following terms:*

- *Initial term of 25 years starting January 1, 2013 with renewal options;*
- *State pays \$10 million annually as a management fee;*
- *State transfers all personal property to the Zoo Society;*
- *State maintains ownership of all State land;*
- *Zoo Society maintains and operates Zoo.*

**CURRENT LAW:** DENR operates the NC Zoo. The General Assembly established the NC Zoological Park Council (Zoo Council) as part of DENR to advise DENR on Zoo matters. The Zoo Council consists of 15 members appointed by the Governor. Specifically, the Zoo Council's duties under G.S. 143B-335 include:

- (1) Advising on the basic concepts of the Zoo;
- (2) Approving conceptual plans for the Zoo and its buildings;
- (3) Advising on the construction, furnishings, equipment and operations of the Zoo;
- (4) Establishing admission fees with the approval of DENR;
- (5) Recommending programs to promote public appreciation of the Zoo;
- (6) Disseminating information on animals and the Zoo;
- (7) Developing effective public support of the Zoo; and
- (8) Soliciting financial and material support.

The Zoo Society is a private, nonprofit corporation recognized by the IRS as exempt from income taxation under section 501(c)(3) of the federal Internal Revenue Code.

**BILL ANALYSIS:** The Bill Draft would transfer the operations of the Zoo from DENR to the Zoo Society. The Bill Draft directs DENR to enter into a management agreement

with the Zoo Society effective January 1, 2013 with renewal options. Additionally, the Bill Draft repeals the statutes authorizing the Zoo Council and transfers the duties of the Zoo Council to the Zoo Society including the management of any assets in the Special Zoo Fund.

To participate in the management agreement, the Bill Draft requires the Zoo Society to allow the Secretaries of DENR and Department of Administration, or their designees, to serve as board members. The Board of Directors of the Zoo Society will control the operation of the Zoo subject to the management agreement with DENR. The management agreement must also provide for free admission to North Carolina school students visiting the Zoo as part of an in school tour group.

The State will transfer all personal property related to the Zoo to the Zoo Society under the management agreement with a return of the property to the State if the Zoo Society ceases to exist, enters bankruptcy, terminates its management agreement, or is incapable of maintaining the Zoo. The State will continue to own all real property (i.e., land) and retain control over the real property except that the Zoo Society controls naming rights on State land.

The Bill Draft would enact a new statute, G.S. 143-177.4, that sets the level of State oversight of building projects at the Zoo when the project is located on State lands or when any State funds are used. For capital projects over \$2 million, DENR and the Department of Administration must approve the facility master plan and any plans, specifications, construction schedules, and budgets.

For capital projects of \$2 million or less, the Zoo Society can negotiate and award contracts for buildings, utilities, and other property developments under procedures developed by the Zoo Society to perform the duties of the Department of Administration and the Office of State Construction. The State Building Commission can approve procedures developed by the Zoo Society to use open-end design agreements. The Zoo Society must use existing plans and specifications for construction projects where feasible and must use the standard contracts for design and construction currently in use for State capital improvement projects. The Zoo Society must report annually to the State Building Commission the following: (1) a list of projects at or below \$2 million awarded under procedures developed by the Zoo Society; (2) the estimated and actual cost of each project; (3) the name of each person awarded a contract; and (4) whether the person awarded a contract meets the definition of minority business under G.S. 143-128.2(g).

Construction projects undertaken by the Zoo Society on private land with private funds do not require State approval unless the Zoo Society requests DENR and the Department of Administration review the project.

The Bill Draft would appropriate by statute \$10 million annually as a management fee that will be pro rated to \$5 million for the period January 1, 2013 to June 30, 2013. The Bill Draft also appropriates \$3 million to DENR for transition costs in the 2012-2013 fiscal year.

The main expected transition cost is severance wages for State employees currently working at the Zoo. DENR would no longer need the current State staff at the Zoo after

the Zoo Society begins to operate the Zoo. The Zoo Society expects to hire most State employees working at the Zoo.

The Bill Draft states the intent of the General Assembly to appropriate \$5 million annually to the Zoo Society from Reserve for Repair and Renovation until a total of \$30 million has been appropriated to cure deferred maintenance at the Zoo.

**BACKGROUND:** The NC Zoo seeks the ability to operate without the restrictions placed on State entities including rules for State employees, State construction oversight, and State contracting with outside vendors. The Zoo also believes that fundraising would be more successful if donors saw immediate changes at the Zoo related to recent donations.

The main proposed benefit to the State is limiting annual appropriations to operate the Zoo to \$10 million (after the \$3 million transition costs and the \$30 million deferred maintenance are paid). In the last 4 fiscal years (2007-2011), the Zoo received slightly more than \$11 million each year. The Zoo believes that if the State continues to operate the Zoo then future appropriations will have to increase significantly to maintain the quality of the current Zoo. The State will also benefit from any new animal exhibits built by the Zoo Society to increase attendance and further charitable goals shared by the Zoo Society and State such as education.

The State owns the tract where the current Zoo is located and an additional nearby tract, called the Ward Preserve. The Zoo Society owns a third tract that sits between the current Zoo and the Ward Preserve. The Zoo Society believes long-term development potential exists for private hotel operators to locate new buildings on the Zoo Society land and use the Zoo facilities and Ward Preserve for their guests.

The Zoo Society currently operates as a private, nonprofit corporation and will continue to operate as a private entity under the management agreement. The Zoo Society will have tort liability (i.e., responsibility for accidents at the Zoo) for the Zoo operations and will pay any applicable taxes, such as the 3% privilege tax on admissions and the sales tax on any retail sales.

**EFFECTIVE DATE:** This Bill Draft is effective January 1, 2013, and the operations of the NC Zoo are also transferred January 1, 2013. The Bill Draft authorizes DENR to enter into the management agreement and act on any transitional requirements prior to January 1, 2013.

*2011-LBza-422E-SMTM-61 v3*



*House Public/Private Committee Presentation  
Friday, February 17<sup>th</sup>, 2012*



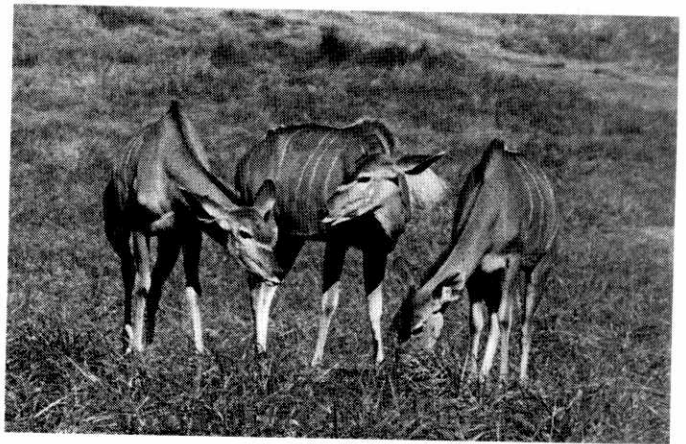
*North Carolina Zoo*

*The Future Zoo  
Expansion and Governance*

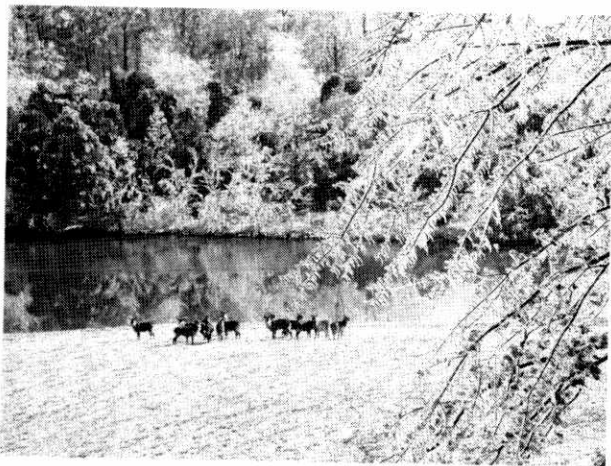




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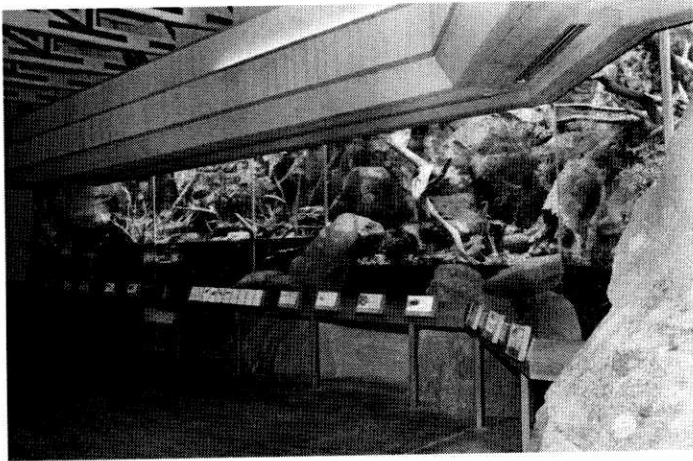
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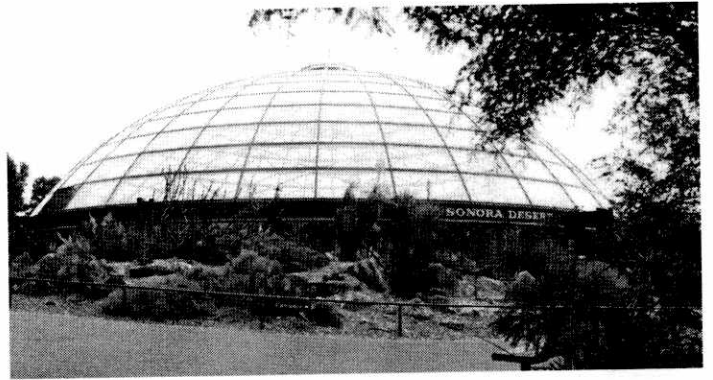
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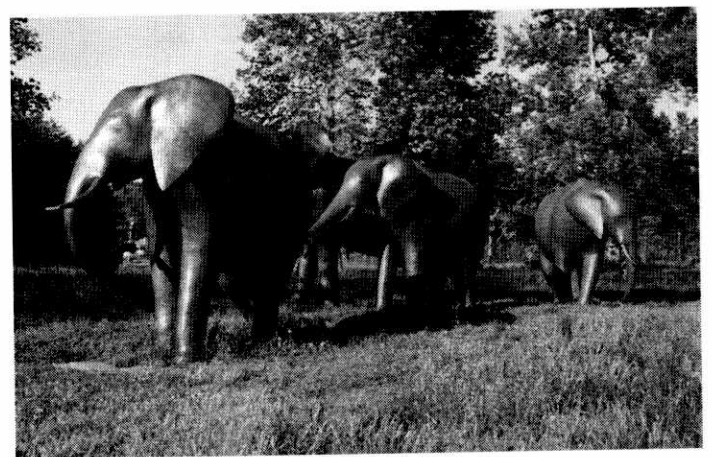
SONORA DESERT ZOO



SONORA DESERT ZOO



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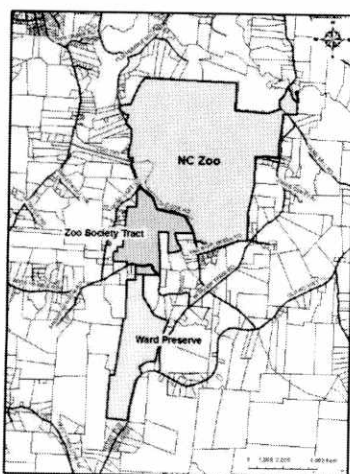


SONORA DESERT ZOO



## *North Carolina Zoo*

### *Expansion Plans*



### *Asia*

- *Asia would occupy undeveloped space between the two existing parking lots*
- *Primary focus will be on China and India with some exhibits devoted to Southeast Asia*
- *This area will have the potential for exhibiting Tiger, Orangutan, Indian Rhinoceros, Snow Leopard, Camel, Colorful Pheasant and possibly Panda*



## Asia

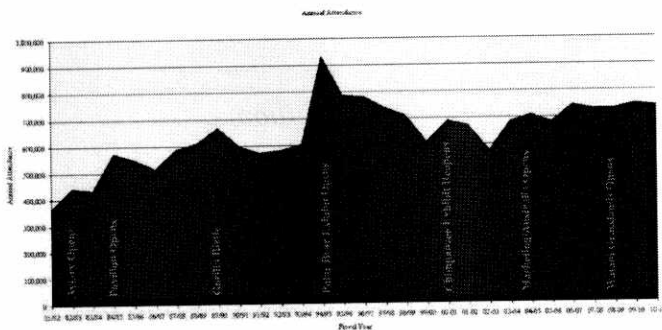


- Estimated cost for development is approximately \$110 Million
- This addition would add approximately 300,000 visitors each year
- Additional visitation would increase Zoo total income from \$7 Million dollars each year to \$13 Million
- The \$6 Million difference would be sufficient to offset the costs

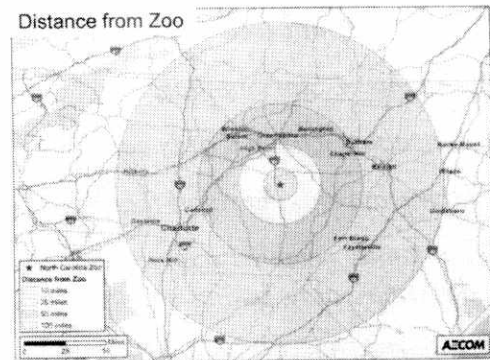


## North Carolina Zoo

### Annual Attendance by Fiscal Year



## Resident Market



NC Zoo Expansion Study

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AECOM



## ***North Carolina Population***

25 Mile Radius	.27 Million
50 Mile Radius	1.8 Million
100 Mile Radius	(2011 Population Estimate) 7.5 Million
100 Mile Radius	(2014 Population Estimate) 8.2 Million



## ***Peripheral Land***

➤ Zoo must create its own "Critical Mass"

➤ Heavy regional competition for Water Parks and Family Entertainment Centers

➤ Most of competing facilities are located in Urban Areas



## ***Peripheral Land***

### ***Enhanced Option***

- 250-300 Rooms. 4-Star Standard
- 50 upscale cabins with 4-8 beds each
- Expanded restaurant and retail facilities
- Significant family oriented recreation facilities- water, adventure play, biking and horses
- Would support \$105 Million dollar investment
- Operating net income \$11 Million dollars (24%)



## ***Annual Economic Impact***

### ***Existing Zoo Facilities***

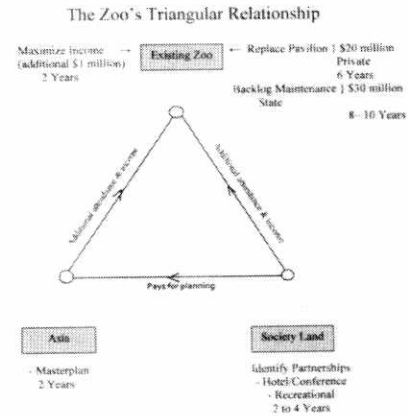
Expenditures:	\$146 Million
Employment:	1,655 Jobs
Tax Impact:	\$2.9m Randolph County \$5.3m State of North Carolina



## Annual Economic Impact Peripheral Land

### Enhanced Peripheral land plus existing Zoo

Expenditures:	\$264 Million
Employment:	2,630 Jobs
Tax Impact:	\$5.3m Randolph County
	\$9.7m State of North Carolina



## North Carolina Zoo Governance Study Update

### Why Zoos Consider a Shift in Governance

- 75% of AZA accredited zoos under private management – most with public partners – true PPP... (public/private partnership)
- Creates an entrepreneurial business approach
- Provides flexibility in response to staffing & visitors
- Allows for cost efficiencies by eliminating the duplication of efforts and in purchasing services





## Why Zoos Consider a Shift in Governance

- Creates market-based pricing strategies
- Offers a re-investment strategy as “what is earned at the Zoo is invested in the Zoo”
- Strengthen private financial support for the Zoo
  - Investment in new facilities, exhibits and attractions
  - Provides new opportunities to engage the regional & State-wide communities
- Solidify the Zoo's annual funding structure

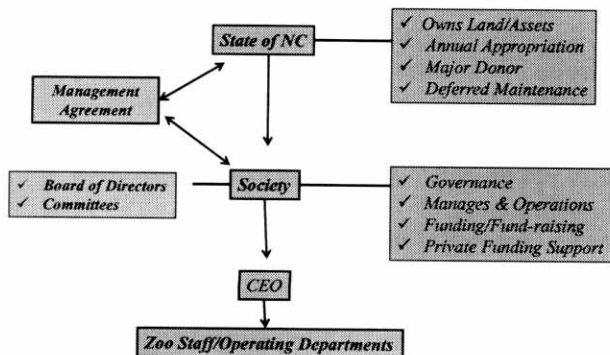


## Why Zoos Consider a Shift in Governance

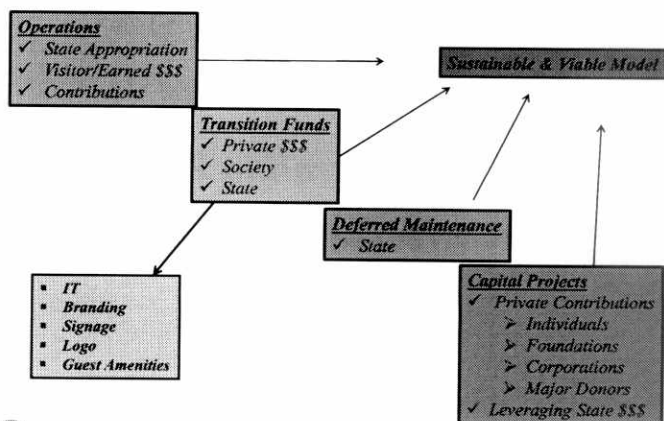
- Develop strategic partnerships to increase income and investment
- Speed up decision making process
- Encourage a management culture best suited to the Zoo's Needs
- Enables long-term planning and resultant timely actions



## Potential Organizational Structure under PPP Structure



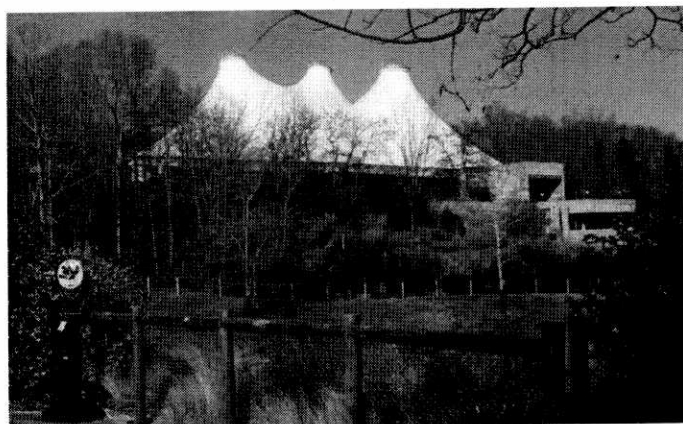
## Strategic Funding Model





## ***Deferred Maintenance***

<i>Building Repairs</i>	<i>19.0 m</i>
<i>Exhibits/Fencing/Glass</i>	<i>4.0 m</i>
<i>Parking/Roads/Paths</i>	<i>2.5 m</i>
<i>Heavy Vehicles</i>	<i>2.0 m</i>
<i>Water/Sewer/Irrigation</i>	<i>1.5 m</i>
<i>Electrical/Energy</i>	<i><u>1.0 m</u></i>
	<b><i>30.0 Million</i></b>



## ***Transition Needs***

- *Technology-phones/computers/servers/software*
- *Signage-Banners/Branding/On-site Signs*
- *Equipment-Vehicle Replacements/Maintenance*
- *Training-Employees and Volunteers*
- *Master Planning-Must be updated*



## ***Appropriations***

FY	Actual Attendance	Actual State Appropriation
2001-02	671,619	\$7,363,259
2001-03	576,093	\$8,251,717
2003-04	676,956	\$8,075,987
2004-05	709,030	\$8,688,470
2005-06	682,977	\$9,437,318
2006-07	746,650	\$10,576,732
2007-08	729,500	\$11,472,868
2008-09	729,615	\$11,483,834
2009-10	749,627	\$11,131,782
2010-11	741,119	\$11,451,024



## ***Key Points***

- *\$10 Million in appropriations*
- *\$5 Million a year for 6 years to catch up on backlog maintenance (Total \$30 Million)*
- *\$3 Million transition*



## ***Key Points***

- *Maintenance of High Quality, World Class Facility*
- *Flexible, Entrepreneurial, Time Sensitive Business Approach*
- *Increased Private Support*
- *Creation of Income Generating Partnerships*



