



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Albert Balagso

**SUBJECT:** HAPPY HOLLOW  
FOUNDATION AMENDMENT

**DATE:** 05-17-10

Approved

Date

5-27-10

**COUNCIL DISTRICT:** City-wide  
**SNI AREA:** n/a

## RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate and execute the First Amendment to the Happy Hollow Corporation dba Happy Hollow Foundation agreement to provide promotion and support for Happy Hollow Park and Zoo through events, promotions, and fundraising activities retroactive from July 1, 2009 through June 30, 2013 with the option to extend the agreement with two one-year options through June 30, 2015.

## OUTCOME

Approval of this amendment clarifies and provides for the continuation of a longstanding partnership with the Happy Hollow Foundation (Foundation) to provide financial and strategic support, special event development, promotion and capital support to Happy Hollow Park and Zoo (HHPZ).

## BACKGROUND

The original term of the agreement commenced on March 1, 2007 and was expected to expire on June 30, 2011 with the option to extend the term of the agreement for two additional years.

The Foundation has been a partner organization with the City and the Department of Parks, Recreation and Neighborhood Services since 1958. The Foundation has been an active participant in developing HHPZ, its Master Plan and was integral to the successful March 20, 2010 reopening. Historically, the Foundation created and managed the membership program and its revenue at HHPZ. The majority of the funding from the membership program provided annual funding for six to seven positions at HHPZ and provided services to the public that promote community use and awareness of HHPZ. They also provided funding for minor capital improvements, provided funding and support to accomplish the re-accreditation of HHPZ with the Association of Zoos and Aquariums, and provided funds for staff to travel, attend seminars, trainings and conferences.

Under the existing agreement, the Foundation provides programming support, customer convenience services and special event development. Programming includes the HHPZ membership and educational programs. Examples of convenience services include the stroller rentals and the Membership Scholarship Fund. Funds generated through these various activities and memberships are paid to the Foundation. In turn, these revenues have been designated to support specific City staff positions, as well as fund supplies and materials, selected staff training and related travel.

The Foundation actively participated in the planning and development of the HHPZ renovation, which was funded through the Measure P San Jose Safe Neighborhood Parks and Recreation Bond of 2000.

### ANALYSIS

The July 2009 HHPZ Business Plan was updated by PROS Consulting, a national expert in recreation business strategies. As part of the report, PROS identified two key areas for the successful operation and maintenance of the facility. These include:

*1) Implement Business Plan Goals for Cost-Recovery*

The Business Plan identifies an opportunity for an increased focus on revenue generation and earned income opportunities. If the revenue growth (\$5,600,000) and attendance projections (460,000) hold true, they are expected to result in a cost-recovery program. Variables include: attendance, staffing levels, effective marketing and promotions, efficient retail and merchandise, operations and economic conditions in the overall community. These will be key factors in the overall revenues and expenses projected over the next few years. This plan is also based on the City operating the membership program, in lieu of the Foundation accepting the funds and paying for staff and related non-personal expenses from the collected membership revenues.

*2) Focused Fundraising Efforts for the Foundation*

The Business Plan also discussed the transformation of the Foundation as a fundraising entity. The Foundation is a separate 501c3 legal entity that raises funds for HHPZ. HHPZ is wholly owned and operated by the City of San Jose. The Foundation has undertaken its second fundraising campaign to catch the wave of enthusiasm of the HHPZ reopening. The Foundation is willing to relinquish the membership funding and program to the City of San Jose. With this amendment, the Foundation will be able to release its obligation to pay for City Staff and from making membership funding decisions for City operations. The Foundation will begin to solely focus on critical fundraising, obtaining grants, stewarding conservation efforts, and developing new marketing and community outreach efforts. The Foundation is highly motivated, with a new Executive Director and an invigorated and diversified board.

With this amendment, the City will retain the membership funds that are valued at over \$1 million in revenue annually, and provide a stipend of \$37,500 each year to the Foundation over a four year period to continue the critical community fundraising, marketing, outreach and conservation efforts required for the American Zoo and Aquarium Association accreditation. In this effort, they will continue to outreach to new members as they have transitioned into a strategic fundraising board. Both the City and the Foundation have worked collaboratively over

the past year to make this transition successful. In addition, the Foundation has entered into contracts that benefit the City including a web site and graphic design work. The City intends to pay the Foundation for web design (\$8,000) and graphic design (\$20,000) to build one image for both the Foundation and the City at HHPZ.

The term of the amended agreement will be retroactive from July 1, 2009 through June 30, 2013 with the option to extend the agreement with two one-year options through June 30, 2015.

### **POLICY ALTERNATIVES**

Not applicable.

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This requested action does not fall into any of the categories above. The amendment will continue a longstanding partnership with the Foundation. This memorandum, however, will be posted on the City's website for the June 8<sup>th</sup> City Council meeting.

### **COORDINATION**

This amendment as been coordinated with the City Attorney's Office, and the City Manager's Budget Office.

### **FISCAL/POLICY ALIGNMENT**

This amendment is consistent with the Council-approved Budget Strategy to "be open to alternative ways to deliver services and reduce costs through appropriate community partnerships and public-private partnerships".

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### **COST SUMMARY/IMPLICATIONS**

The proposed amendment will allow the City of San Jose to retain all membership revenues valued at over \$1 million annually for the operation of HHPZ. The annual funding proposed as part of this agreement includes annual amounts up to:

- \$20,000 for HHPZ graphic design work by Foundation contractor
- \$8,000 for web development and maintenance by Byte Technologies
- \$37,500 for conservation, marketing and new membership outreach
- Foundation's continued use of on-site trailer including phone and utilities
- Foundation will receive free use of Learning Lodge for up to ten special events annually that support fundraising and conservation efforts for HHPZ. The Foundation would be required to pay any City expenses associated with the events, as developed by each special use permit

The proposed amendment will allow a direct deposit of membership revenues with an account held by the City of San Jose. The City will improve its ability to monitor revenues and at the same time maintain its support of the Foundation in their efforts to fundraise for Happy Hollow Park and Zoo.

### **BUDGET REFERENCE**

Not applicable.

### **CEQA**

Not a project.

/s/

ALBERT BALAGSO  
Director of Parks, Recreation  
and Neighborhood Services

For questions please contact Suzanne Wolf, HHPZ General Manager, at 408-794-6406.