

St Louis Board of Aldermen Parks and Environmental Matters Committee Report to the Board of Aldermen as agreed by Resolution Number 33 dated May 3, 2013.

Introduction At the request of Audit Committee of the Metropolitan Zoological and Museum District (ZMD), the Board of Aldermen authorized the Parks & Environmental Matters Committee to “convene hearings for the purpose of examining the structure and organization of the Missouri History Museum, executive compensation, and all other related matters and we further direct the committee to include in such discussion Mr. Ray Stranghoener, chairman, and Dr. Robert R. Archibald, President of the Missouri History Museum and all other parties and documents deemed appropriate and necessary by the Parks and Environmental Matters Committee to conduct a fair and thorough investigation.”

Problems uncovered by the recent audit of Missouri History Museum have been well documented by public news sources and included, but were not limited to the purchase of property by the Missouri History Museum (MHM) from a former Trustee without an appraisal, the granting of 14 weeks of vacation/writing time to the former President of the Missouri History Museum and the lack of documentation of actual time off, and the subsequent payment of over \$500,000 for unused vacation and payment of \$270,000 for a consulting agreement upon the resignation of the President.

Additionally, the Audit Committee asked that rumors of mistreatment and wrongful termination of employees be investigated.

As a result of these allegations, this Committee has conducted hearings on the matters, and with the goal of restoring public confidence it requested the assistance of the St. Louis Circuit Attorney.

The Circuit Attorney agreed to investigate, but citing state statute that limits her ability to conduct only criminal investigations, she declined to investigate employment issues which would not be criminal. The report of the Circuit Attorney’s findings is attached as exhibit A.

Therefore, at the request of this committee the City Counselor investigated the allegation of inappropriate employee treatment or termination. A report of their findings is attached as exhibit B.

Background of ZMD Dedicated Tax – In 1971 voters approved a 4 cent property tax for the Zoo and Art Museum, and 1 cent tax for the Science Center, and established the 8 member Metropolitan Zoological Park and Museum District (ZMD Commission). In 1983

the tax for the Zoo and Art Museum was increased to 8 cents and the tax for the Science Center was increased to 4 cents; and concurrently the voters admitted the Missouri Botanical Garden with a 4 cent tax. In 1987 the voters admitted the MHM to the ZMD with a 4 cent property tax. The combined ZMD dedicated property tax currently generates over \$73 million per year. Over the term of this dedicated tax \$xxx has been raised and passed through to the 5 benefiting institutions.

Institution	2012 Tax Revenue Rec'd	Tax Rev Rec'd 1972 - 2012
Mo Botanical Garden	\$10 mil	\$ 186 mil
StL Zoo	\$20 mil	\$ 389 mil
Mo History Museum	\$10 mil	\$ 193 mil
StL Science Center	\$10 mil	\$ 189 mil
StL Art Museum	\$20 mil	\$ 389 mil
Total	\$70 mil	\$1.346 bil

This dedicated tax revenue has allowed the once struggling institutions to flourish, expand, and in several cases to become world class institutions.

In 1971, after the successful vote of the people, the Metropolitan Zoological Park and Museum District (ZMD) Commission was created. (Mo Rev Code 184.350-384) The statute states....

*“The metropolitan zoological park and museum district shall collect all revenues on behalf of such sub districts and shall deposit same in separate sub district funds respectively. All funds collected for a sub district shall be kept separate and apart from any other funds and **shall be drawn upon by the proper officers of the sub district upon submission of properly authenticated vouchers.** The district may render common services to the various sub districts including but not limited to auditing, accounting, pension servicing and payroll. In performing such services the board is hereby authorized to employ and appoint such persons as are deemed necessary, to fix compensation and to cause the removal of employees and appointees of the board.*”

The recent audits and media reports also indicate that the oversight of tax payer funds have not received strict scrutiny by the ZMD or the Sub district Commissioners, and resulted in some operating decisions that may not have been in the best interest of the taxpayers.

As a result of the investigations and hearings, the Committee believes it is in the best interest of the taxpayer to recommend that the ZMD and Sub district Commissions give serious consideration to the following recommendations.

Summary of Recommendations

- I. **Appointments and their Roles and Responsibilities** - This Committee believes that the roles and responsibilities of the many people contributing to the ZMD member institution need to be clarified and since the skills of these people will determine success, this Committee respectfully requests that the Mayor and County Executive consider the skills and experience necessary for a ZMD or sub district Commissioner to fulfill their serious fiduciary obligations, when appointing members to the Commissions.
- II. **Develop a Regional Plan** - The Committee believes that the ZMD has the responsibility of providing leadership in developing a regional plan for the growth and advancement of the cultural district.
- III. **ZMD District Policies and Funding Agreements** - The Committee believes that that the expenditure of the dedicated tax funds deserves more scrutiny than ‘properly authenticated vouchers’ and that the ZMD should establish “District Policies” which outline policies & standards with regard to performance, compensation and benefits, ethics, and other topics deemed pertinent by the ZMD, prior to setting the next year’s tax rate, and prior to reimbursing the sub district expenditures.
- IV. **Report to the Community**-Each year the ZMD should prepare an annual report to the community that presents and updates items I, II and III above.
- V. **Respond to this Report**—the St. Louis Board Aldermen respectfully request the response of the ZMD within 90 days.

A more detailed discussion of the above recommendations follows, but first a disclaimer. While this report recommends changes, and at times is critical, it should not detract from the opinion of this committee that collectively the public private partnership model used to expand these institutions has been a great success. There is far more right than wrong. The centerpiece of that success is the generosity of benefactors, volunteers, and dedicated staffs. Additionally, the Missouri History Museum staff and trustees have cooperated throughout our investigation.

I. Appointment and their Roles and Responsibilities

The controversy over the Missouri History Museum begs the question: Why was there such a divergence of opinion of the actions of the Missouri History Museum trustees, most of whom were volunteers who contributed their time and money for what they believed was a good cause, and the general public? It is the belief of the committee that **the sub district and ZMD commissioners did not actively oversee the spending of taxpayers' funds.**

The fact the sub district institutions are public private partnerships and that the public portion is regional creates problems of unity of decision making. The state, county and city all play roles in the governance of these organizations is further complicated by the split authority of the sub district responsible for operational decisions and the ZMD responsible for taxing decisions. Meshing the needs of the public with those of private donors further complicates the puzzle and the "contracting out" of decision making by the sub districts at the Missouri History Museum and Missouri Botanical Garden adds yet another layer of decision making. In the case of the Missouri History Museum, the trustees felt they had the authority to make decisions and when they were unpopular, the public was left with little recourse.

In the case of MHM the lack of clear roles and responsibilities created an environment where sub district commissioners failed to demand even the most basic financial information and their attorney was remiss in advising them of their authority or responsibility. ZMD Commissioners were historically complacent in their oversight.

Mo Rev Code 184.354 and 184.358 is ambiguous in its definition of the responsibilities of both the ZMD and sub district commissioners. The Supreme Court case, Zoological Subdistrict of the City and County of St. Louis v. Jordan, 521 S.W.2d 369 (Mo.1975) provided additional guidance by limiting the authority of the ZMD commissioners to setting the tax rate but not involve itself in the day to day operations of the sub districts.

Subject to those restrictions, these should be the roles:

ZMD — Mo Rev Code 184.354 defines the District board, appointment, terms, qualifications, officers, rules and bylaws. This institution should be our region's cultural leader. The ZMD needs to reinvent itself. It should no longer be a ceremonial rubber stamp of the budgets of the member institutions.

The commissioners should want to advance and grow public support for the cultural institutions in our region. They shall employ such resources as needed to hone a vision for the cultural district and then build consensus with its member institutions, local and state lawmakers, civic and cultural leaders, and engage the general public to build that vision. They should develop a mission statement, and a business plan for implementing it. They should consider issues like: the role of tourism, what should be free to the taxpayer, and who should get in free.

Understanding that resources are limited and this future growth can best be accomplished by being an advocate of the taxpayer. The ZMD should challenge the sub districts to deliver value and demonstrate that they are worthy of public funding. While the member institutions may already be benchmarking their performance, the ZMD should have the staff and resources necessary to independently evaluate the sub districts' performance and work closely with the institutions in establishing expectations. Should the need arise the ZMD should be willing to set tax rates based on that performance and not on the arbitrary limits set by state statutes.

Since success of this structure is ultimately dependent upon the cooperation of the institutions, the leaders of the ZMD should be the confidence and trust of the member institutions, but also know the best way to grow the cultural district is to deliver value to taxpayer and since they are publicly appointed they should pledge an oath of advocacy for the taxpayer.

Sub district commissioners: — Mo Rev Code 184.358 defines how sub districts are governed by commission, appointment, qualifications, terms, removal from office, nonvoting advisory members, appointment and terms. Are the most deserving trustees who have demonstrated support and leadership at the institution they are representing? Since they are publicly appointed their oath should reflect their mixed allegiances to the cultural institution and taxpaying public. They should be advocates for the organization that they are appointed to oversee and work with trustees and administrators at their respective institutions to position their institution in a favorable light and deserving of ZMD funding and the public trust, by assuring they are good stewards of the public money. They should understand the ZMD's vision and work to

meld that vision with their institutions. They should set the budget and have final authority over all expenditures. In a timeframe that is both orderly and respectful of the volunteer trustees and sub district commissioners, the MOBOT and the MHM should transition to this model. A recurring theme in the report from the Circuit Attorney was problems caused by multiple boards.

Trustees: Are benefactors or volunteers of the institution who have earned the privilege through their past contribution. They are advocates of the institution and are un conflicted in their support of it. They understand the unique nature of the public private partnership and responsibilities of an institution that come with accepting public money, and are free to decide not to accept the funding.

Local Elected Officials: The Mayor, County Executive, Board of Aldermen, County Council, and others if district is expanded geographically—should be solicited by the ZMD to demonstrate local support of the ZMD’s vision, mission, business plan, expansion and code of operation.

State Officials: should be solicited by the ZMD to amend state law where necessary and work to fulfill the ZMD vision by demonstrating that they have engaged the public to form the vision, have institutional support of trustee and sub district commissioners and earned the support of local elected officials.

II. Develop a Regional Plan

There is no long range, coherent plan for growing and expanding public support of cultural institutions in our region. No person or organization is considering the economic impact it is having on tourism nor to what extent free admission serves as a loss leader for tourism that in turn, through tourist taxes, help pay for this wonderful public benefit. No organization is measuring the impact it is having on the quality of our lives, no one is planning for when or how to expand the district to include other institutions. There is no clear policy establishing who to charge and in what instances charging is appropriate. It is ok to charge at the Missouri Botanical Garden, special exhibits and attractions, for parking but anyone can get in free? There is no long range plan for admitting future institutions or expanding the district to other county or states.

This is a jumble of complex issues that deserves consideration.

III Performance and Accountability

The state statutes (Mo Rev Code 184.350-384) and voter referendums that approved the ZMD taxes require that they be dedicated to each institution individually. Since these are dedicated taxes, the ZMD may not shift money from one underperforming organization to another more deserving, but the statute places the responsibility of setting the tax rate on the ZMD. Hence, they are the *de facto* guardian of the taxpayer. The ZMD has always set the tax rate at the highest level permitted by statute, an arbitrary number that does not consider either the need of the institution or the value to the public. The pitch to the public has always been to pay the tax and get free admittance. After decades without minimum expectations and arbitrarily funding the institutions at maximum rates, the result is radically different costs of “free admission.”

	Botanical Garden	Zoo	History Museum	Science Center	Art Museum
Total attendance	935,224	3,015,543	286,913	1,200,072	415,510
Total expenses	\$44,390,189.00	\$50,034,732.00	\$13,204,196.00	\$19,600,548.00	\$29,195,977.00
Cost per attendee	\$47.46	\$16.59	\$46.02	\$16.33	\$70.27
Tax support	\$9,816,667.00	\$20,010,596.00	\$9,746,999.00	\$9,955,876.00	\$20,224,876.00
Tax subsidy per attendee	\$10.50	\$6.64	\$33.97	\$8.30	\$48.67
% of cost borne by public	22.11%	39.99%	73.82%	50.79%	69.27%

All figures are the average for the three-year period 2007- 2009 and are self reported. The Science Center has subsequently revised their attendance figures down. The Garden does not have free admission and is permitted to charge a fee. This table does not consider that fee.

The ZMD should establish “District Policies” which outline policies & standards with regard to performance, compensation & benefits, ethics, and other topics deemed pertinent by the ZMD.

A. Performance

This committee recognizes that collectively the institutions have greatly magnified the public contribution by private contributions, but it presently has no position on the level funding for the institutions because the ZMD has made no effort to develop or gather

quantifiable data to justify any level of funding and has always simply set the yearly tax rate as the maximum.

1. The success of these public private partnerships is dependent upon benefactors making gifts with the understanding that their gift will not replace public funding. This pact needs to be preserved and protected, but balanced against the possibility that an institution may at some point lack the support of private contributors, or no longer engage the public in a meaningful way.
2. Funding should be tied to minimum performance levels and not to the maximum authorized by the voters. The ZMD should work with its member institutions to develop meaningful and mutually agreeable benchmarks to measure performance against comparable organizations with similar purposes. Items to consider should at least include: public cost of admission, community outreach and education, and demonstrated private financial support. The ZMD should independently employ such resources as necessary to measure and track the performance of its member institutions.

B. Compensation & Benefits

1. The ZMD should consider establishing caps on salaries that will be supported by tax dollars, but should permit its member institutions to compensate staff at higher levels if it deems it appropriate and necessary provided it:
 - a. Raises the amount above the cap from private sources that are knowingly contributing to a "compensation fund." This might be accomplished through disclosure in attributes of membership or giving level (i.e. 10% of your gift goes to endowing our leadership fund for the salaries of our staff)
 - b. The compensation is established consistent with procedures and processes established by the ZMD to assure objectivity and independence from conflict of interests.

C. Ethics

Despite the MHM being in clear violation of the ZMD's code of ethics and under criminal investigation, the ZMD not only chose to fully fund the MHM, but declined to delay the funding until the investigation and this report was completed. This

effectively rendered section 2.5 of their code of ethics (exhibit C) as meaningless and needs to change.

1. The ZMD's "Code of Ethics" needs to be updated and incorporated in their funding agreement and enforced.
2. All publicly appointed positions on the ZMD or sub district boards should be administered an oath that reflects their duties and responsibilities as outlined above.
3. Commissioners and Trustees must receive training on responsibilities of serving on the board.
4. All entities of each sub district should be subject to the "Sunshine Law" so all transactions are transparent.

IV Report to the Community

Each year the ZMD should prepare an annual report for the public that summarizes and updates the items discussed in items I, II, and III above. Special emphasis should be placed on demonstrating the leveraging of public funds with private partners and benchmarking the performance of its member institutions. Each year the report should be presented at a committee meeting of the appropriate committees of the St. Louis Board of Aldermen, St. Louis County Council, and Missouri State Legislature, as well as made available to the media and general public. Additionally, a summary of cost of admission data should be available at each public entrance of all member institutions.

V Response to this Report

The Board of Aldermen respectfully request that the ZMD respond at a meeting of this committee to be held within 90 days.