

1 [Loan Agreement - San Francisco Zoo Society - Operations and Long-Term Financial
2 Sustainability - Up to \$8,500,000]

3 **Resolution authorizing the Recreation and Park Department to enter into an agreement**
4 **to loan up to \$8,500,000 to the San Francisco Zoo Society (“SFZS”) to support the**
5 **operations and long-term financial sustainability of the San Francisco Zoo contingent**
6 **on various milestones and terms and conditions effective upon approval of this**
7 **Resolution, to be repaid over 10 years in the form of deductions from the SFZS’s**
8 **Management Fee; allowing for the City to terminate the Lease and Management**
9 **Agreement with the SFZS in the event the loan is not timely repaid or if the conditions**
10 **in the loan agreement are otherwise not met; and authorizing the Recreation and Park**
11 **Department General Manager to enter into amendments or modifications to the loan**
12 **agreement that do not materially increase the obligations or liabilities to the City and**
13 **are necessary to effectuate the purposes of the permit or this Resolution.**
14

15 WHEREAS, The City and County of San Francisco (the "City") owns the San Francisco
16 Zoo, which is under the administrative jurisdiction of the Recreation and Park Department
17 (“RPD”); and

18 WHEREAS, The Zoo is operated and managed by the San Francisco Zoological
19 Society (“SFZS”) under a Lease and Management Agreement (the “Lease”), which the City
20 approved as of July 1,1993 and which is scheduled to be renewed in 2028; and

21 WHEREAS, The Lease requires the SFZS to operate and manage the Zoo in
22 exchange for City paying SFZS a Management Fee equal to \$4,000,000 per year, subject to
23 various additional terms and conditions and subject to the budget and fiscal provisions of the
24

1 Charter, and with oversight through the Joint Zoo Committee which consists of three SFZS
2 Board Members and three members of the Recreation and Park Commission; and

3 WHEREAS, The San Francisco Zoo plays an important role in the city as a cultural,
4 educational, and environmental asset, serving as a home to more than 2,000 animals and
5 providing a vital connection between people and wildlife, offering residents and visitors
6 opportunities to learn about conservation, biodiversity, and the natural world, helping drive
7 local economic activity and supporting nearby businesses; and

8 WHEREAS, The Zoo is facing major financial challenges, and in Fiscal Year (FY) 2025
9 alone, experienced \$7,000,000 in losses on an approximately \$30,000,000 operating budget,
10 and to help address this has requested an up to \$8,500,000 loan from the City to further
11 identify, evaluate, and implement methods to improve its attendance and help resolve its
12 financial challenges, which may include obtaining Giant Pandas, opening improved Big Cat
13 exhibits, and launching new promotive programs; and

14 WHEREAS, The City has engaged in conversations with the Zoo regarding its financial
15 and other challenges, and has reviewed Zoo's recent financial data and its 5-year financial
16 projections under different scenarios; and

17 WHEREAS, The City has analyzed the cost and complexity of immediately terminating
18 SFZS's lease, rehoming all Zoo animals and caring for them in the period until they are
19 rehomed, and determined that it would not be feasible or financially prudent for the City to
20 terminate SFZS's lease at this time; and

21 WHEREAS, The Legislative Budget Analyst (BLA) is in the process of completing an
22 audit of the Zoo's operations, which is set to be published on _____ and outline
23 recommendations for Zoo and City actions to improve Zoo operations and fiscal sustainability;
24 and

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1 WHEREAS, The Zoo has been accredited through the Association of Zoos and
2 Aquariums (AZA) for over 50 years, since the start of the accreditation program which
3 provides the highest standard and best practices for Zoos and Aquariums, with only 10% of
4 the approximately 2,800 animal exhibits licensed by the United States Department of
5 Agriculture that are AZA accredited; and

6 WHEREAS, The Zoo's last AZA five-year accreditation was in 2022, and the Zoo is
7 currently working towards completing all requirements for the next five-year AZA accreditation
8 in March of 2027, and anticipates to successfully complete all requirements and receive full
9 accreditation again; and

10 WHEREAS, RPD desires to support the SFZS if SFZS can develop a clear strategy
11 and effective guiding principles for its programmatic and financial decisions, and demonstrate
12 an ability to implement them, and has been reviewing the SFZS's proposal with assistance
13 from the City Controller and Mayor's Office; and

14 WHEREAS, The City is willing to provide a \$6,500,000 loan to help address the Zoo's
15 projected operational deficit for the period between Q2 of Calendar Year 2026 (CY26) through
16 Q2 of CY27, and to hold an additional \$2,000,000 in reserve for purposes of an additional
17 loan to the Zoo post AZA accreditation should City determine at that time that SFZS has made
18 sufficient progress towards financial stability and its long-term goals; and

19 WHEREAS, City will be seeking to appropriate funds for these purposes through a
20 supplemental appropriation and de-appropriation (File No. 260360) and via the annual
21 appropriations ordinance; and

22 WHEREAS, Subject to the appropriation of these funds, RPD and SFZS have
23 negotiated a Term Sheet for a Loan Agreement which is on file with the Clerk of the Board in
24 File No. _____ and includes, among other provisions, the following significant milestones
25 and terms and conditions:

- 1 **(1) Term:** The City will provide the loan for a period of 10 years.
- 2 **(2) Interest Rate:** The City pooled investment rate (currently 3.7%).
- 3 **(3) Financial Sustainability Plan:** SFZS will develop, with a specialized zoo
4 consultant, a Financial Sustainability Plan (FSP) that includes a repayment strategy
5 for the City’s one-time \$6.5 million loan, and an annual budget that balances annual
6 expenses with revenues, taking into account three scenarios regarding Giant
7 Pandas.
- 8 **(4) Strategic Plan:** SFZS will develop, with a qualified zoo consultant, a 5-year
9 strategic plan for programmatic decisions to improve attendance and revenue that
10 aligns with the financial sustainability plan. This includes any major additions,
11 removals, or renovations of exhibits. The Zoo will also participate in a separate,
12 long-term visioning process with City staff and other partners, to determine the
13 SFZS’s long-term vision, which will also guide the 5-year strategic plan.
- 14 **(5) Payment Schedule:** Starting in Q1 of CY28, the City will incrementally decrease its
15 monthly management fee by payments to the SFZS to cover loan remaining. A
16 \$6.5M loan would result in a monthly fee payment reduction of \$64,886.57. The
17 SFZS may elect to not withdraw the entirety of any loan payment.
- 18 **(6) Increased Reporting:** On a quarterly basis, SFZS will report to the City on its
19 progress to improve attendance, new member acquisition, fundraising efforts,
20 expenses and financial records, and progress on the capital project associated with
21 Giant Pandas.
- 22 **(7) Accreditation with AZA:** SFZS must successfully achieve full accreditation by the
23 AZA for the 5-year period beginning in Spring 2027.
- 24
- 25

- 1 **(8) BLA Audit:** The City will evaluate the BLA report following its publication and
2 reserves the opportunity to negotiate and impose additional conditions on the SFZS
3 in response to the report recommendations.
- 4 **(9) Immediate Expense Reduction:** SFZS will immediately reduce its annual
5 operational expenses by a minimum of 10%.
- 6 **(10) No New Liabilities or Animals:** Apart from Giant Pandas, SFZS will not take on
7 any new animals requiring capital habitat investment or staffing resources, or any
8 other new liabilities, unless a dedicated funding source for such investment or
9 liability was previously obtained by the SFZS.
- 10 **(11) Board of Directors:** SFZS will gradually increase its Board capacity to reach a
11 contribution goal of 10% of Zoo’s annual operating budget and add a board member
12 with extensive financial management experience, including deep knowledge of
13 finances, financial controls, and financial planning. This individual should have
14 experience in financial analysis, risk management, and financial strategy. The City
15 will review the qualifications of the board member to ensure the experience is
16 sufficiently met.

17
18 WHEREAS, The Term Sheet further provides that if SFZS does not meet these
19 milestones, then City will have the ability to terminate the loan and demand immediate
20 repayment, regardless of the length of time remaining in the loan term, as well as to terminate
21 the SFZS Lease; and

22 WHEREAS, The Loan Agreement will provide significant recreational benefits by
23 supporting the Zoo and preserving a long-standing beloved San Francisco recreational and
24 educational establishment and tourist attraction; and

