

# Zoo Loan Terms

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## SUMMARY

To ensure the City and County of San Francisco's ("the City") loan to the San Francisco Zoological Society ("the Zoo") supports the Zoo's long-term strategic and financial sustainability, the City requires the Zoo to meet specific conditions.

The Zoo must:

- Engage a specialized zoo strategic and financial planning consultant.
- Produce a financial sustainability plan to become a long-term financially solvent organization.
- Make immediate, meaningful reductions to expenses to a minimum of 10%
- Not take on new liabilities or animals, except for Giant Pandas, or except in cases of newly acquired animals that do not require capital habitat investments or additional staffing resources, unless a dedicated outside funding source has been secured by the zoo, until the Zoo is determined financially sustainable by the City Controller.
- Produce a 5-year strategic plan that aligns with the financial sustainability plan and includes priorities, objectives, and tactics. The plan should also identify metrics that will show progress towards these priorities.
- Participate in a long-term visioning process with City staff and other partners to determine the zoo's long term strategic direction
- Develop a Board with capacity to meaningfully support SFZS, doubling its annual contribution goal year to year, until reaching a contribution goal of 10% of SFZS's annual operating budget, and ensure SFZS finance committee is adequately staffed
- On a quarterly basis, report on basic outputs, such as attendance, expense reductions and efficiencies, new members, and funds raised, as well as on progress towards long-term financial solvency plan and progress on Panda project. On a quarterly basis, reports should be shared with City Controller and presented before the Joint Zoo Committee. All reports and materials provided by the SFZS must meet standards for quality and thoroughness as determined by City Controller.
- Add a board member with extensive financial management experience, including deep knowledge of finances, financial controls, and financial planning. This individual should have experience in financial analysis, risk management, and financial strategy. The City will review the qualifications of the board member to ensure the experience is sufficiently met.
- Successfully achieve Association of Zoo and Aquarium (AZA) accreditation
- Address concerns identified in the upcoming Budget and Legislative Analyst (BLA) audit
- Consistently meet with and communicate with City partners as requested

The City will evaluate the Zoo’s progress towards these conditions through the following milestones, which will be tied to the release of loan funds:

Milestone	Expected actions	Date	Fund Release
1	<ul style="list-style-type: none"> <li>Provide current plans for increasing attendance and fundraising, decreasing expenses/increasing efficiencies</li> <li>Repayment plan for the loan</li> </ul>	Prior to loan start	
2	<ul style="list-style-type: none"> <li>Participate in long-term visioning process</li> </ul>	Loan Start	\$2.5M
2	<ul style="list-style-type: none"> <li>Hire consultant</li> <li>Provide first quarter data</li> </ul>	Loan start + 3 months	
3	<ul style="list-style-type: none"> <li>Provide updated Financial Sustainability Plan and draft Strategic Plan</li> <li>Provide second quarter data</li> </ul>	Loan start + 6 months	\$1.4M
4	<ul style="list-style-type: none"> <li>Provide third quarter data</li> </ul>	Loan start + 9 months	\$1.3M
5	<ul style="list-style-type: none"> <li>Provide final financial sustainability and strategic plans</li> <li>Provide fourth quarter data</li> </ul>	Loan start + 12 months	\$1.3M
6	<ul style="list-style-type: none"> <li>Achieve AZA Accreditation</li> </ul>	By March 2027	
7	<ul style="list-style-type: none"> <li>Address concerns in the upcoming Budget and Legislative Analyst Audit</li> </ul>	As determined by the audit or in conversation with the City	

If the Zoo fails to meet any of these milestones, the City will view this as failing to meet loan terms and may end the loan and/or end the Zoo’s lease agreement.

## BACKGROUND

The Zoo is facing major financial challenges. In FY25 alone, it has losses of \$7 million on a ~\$30 million operating budget. To help address this, it requested a \$9.5 million loan from the City.

The Zoo is considering a variety of methods to improve its attendance and help resolve its financial challenges, including procuring Giant Pandas, opening improved Big Cat exhibits, and launching new promotive programs. However, the Zoo does not have a clear strategy or guiding principles in its programmatic and financial decisions.

The City is willing to provide a \$6.5M loan to help address the Zoo’s projected operational deficit for the period between Q2 of Calendar Year 2026 (CY26) through Q2 of CY27. Starting Q3 of CY27, the Zoo is projecting an operational surplus due to the anticipated arrival of Giant Pandas. The City will hold in reserve an additional \$2M available for loan to the Zoo post AZA accreditation, should the SFZS be making sufficient progress towards financial sustainability, yet still not meeting initial projections for revenue.

The City wants to ensure its loan supports the Zoo's long-term success and that the City is able to be repaid. To this end, the City is establishing specific conditions that the Zoo must meet.

## REPAYMENT

The City will provide the loan for a period of 10 years. The interest rate will be determined based on the funding source used for the loan, to make sure City's costs associated with the loan are reimbursed. If the funding source is the City's General Fund, the City pooled investment rate (currently 3.7%) will be the loan interest. If debt financing is used to fund the Zoo's loan, loan rate will match the City's debt issuance and financing costs (estimated 6.5%). The City will have sole discretion in determining which funding source will be used. Starting in Q1 of CY28, the City will incrementally decrease its monthly management fee payments to the SFZS to cover loan remaining.

## IF CONDITIONS ARE NOT MET

If the Zoological Society does not meet the milestones described in this document, the City will have the ability to terminate the loan, regardless of the length of time remaining in the loan term. The City will also have the ability to terminate the Zoological Society's lease on the Zoo property. The lease is a five-year agreement with the current 5-year period ending in 2028.

## LONG-TERM PLANNING CONDITIONS

In order to solve the long-term challenges of the Zoo, the City will require it to address (1) its financial unsustainability and (2) its unclear future plan. **To ensure the Financial Sustainability Plan and Strategic Plan are developed with the best available resources, the Zoo will procure an experienced consultant that specializes in working with zoos, especially those facing financial challenges.**

### Issue 1: The Zoo is financially unsustainable

#### Issue Description and Background:

The Zoo is facing severe financial instability. In FY 25, it had a loss of \$7 million. Based on current conditions, the Zoo cannot run operations beyond Summer 2026 in a financially stable manner.

#### Desired results:

The Zoo will develop and implement a plan for long-term financial stability. The plan should include a repayment strategy for the City's one-time \$6.5 million loan. It should develop an annual budget that balances annual expenses with revenues, taking into account three scenarios regarding Giant Pandas: 1) Pandas arriving as planned and visitation increasing as expected; 2) Pandas are delayed or do not arrive; 3) Pandas arrive but do not provide the expected visitation increase.

#### Required item:

The City requires a Financial Sustainability Plan which contains the following elements:

- Means to address cash flow, including any programmatic or staffing changes
- Budget reporting and invoicing

- Fundraising plan

### Milestones:

- Within six months of the loan start date, the Zoo must submit the **first draft of the Financial Sustainability Plan to the Controller's Office and RPD.**
- By one year after the loan start date, the Zoo must submit the **final draft of the Financial Sustainability Plan and bring it before the Joint Zoo Committee for approval.** The City may request additional edits if the plan does not sufficiently address the elements outlined above.

## Issue 2: The Zoo lacks a strategic plan and a long-term vision

### Issue Description and Background:

The Zoo has been operating without a recent strategic plan and without a long-term vision. As it faces financial challenges, it has considered a variety of pathways for the future yet has not determined a single direction. This can result in a disorganized and inefficient approach as the Zoo tries to solve its problems through a wide spread of unrelated efforts.

### Desired results:

The Zoo will develop a Strategic Plan for the next five years. The plan should include programmatic decisions that align with the financial sustainability plan. This includes any major additions, removals, or renovations of exhibits. The Zoo will also participate in a separate, long-term visioning process with City staff and other partners, to determine the Zoo's long-term vision, which will also guide the 5-year strategic plan.

### Required item:

The City requires a 5-year Strategic Plan which contains the following elements:

- Vision and priorities for the 5-year cycle starting in 2026
- Objectives and tactics to achieve these priorities
- Metrics that will demonstrate the Zoo's success in meeting these priorities

The City also requires Zoo's participation in a joint long-term visioning process, to be led by City and third-party partner(s), starting shortly after loan approval.

### Milestones:

- Within six months of the loan start date, the Zoo must submit the **first draft of the Strategic Plan to the Controller's Office and RPD**
- By one year after the loan start date, the Zoo must submit the **final draft of the Strategic Plan and bring it before the Joint Zoo Committee for approval.** The City may request additional edits if the plan does not address the elements outlined above.
- Shortly after loan approval, the City will initiate, and Zoo will participate in, a 6-9 months-long visioning process to determine the Zoo's long-term strategic direction.

## ADDITIONAL CONDITIONS

In addition to the long-term planning conditions, the City also will require the Zoo to demonstrate its current efforts to maintain and improve the Zoo.

**Provide current materials.** Prior to the City providing the loan, the Zoo will provide its current plans for increasing attendance and fundraising and decreasing expenses over the year, including specific targets. This should include information on performance over the prior 8 quarters.

**Report on a quarterly basis.** At the end of each quarter, the Zoo will report to the City (Controller's Office and RPD) the following statistics over that quarter:

- Attendance
- New members
- Funds raised (received and pledged)
- New donors
- Financial records
- Expenses
- Progress on Pandas capital project and other preparation work

If the Zoo does not meet its targets for fundraising or increasing attendance for any given quarter, it must provide a narrative explaining why the targets were not met and the adjusted plan for the future quarters.

To demonstrate the value of the Zoo's fundraising and attendance plans, it will also share:

- Cost of new attendee recruitment efforts per new attendee
- Cost of new member recruitment efforts per new member
- Cost of fundraising efforts per dollar raised

**Successfully achieve Association of Zoo and Aquarium accreditation.** The Zoo would undergo the accreditation review regardless of the City's loan. However, if the Zoo fails the AZA's accreditation process, this would be considered as failure of the Zoo to meet its loan terms.

**Address concerns raised in the upcoming Budget & Legislative Analyst (BLA) audit.** The Zoo must address any concerns or make relevant changes based on findings from the upcoming BLA audit report. These should be met in the timeline outlined in the audit or based on other timelines as agreed upon between the City and the Zoo.

**Meet regularly with the City.** Zoo leadership staff will meet with the City as requested. Zoo staff will prepare and provide any requested materials in advance of the meetings.