



Financing Plan

For the Proposed New Zoo at Elk Grove



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Final Draft March 22, 2024

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Introduction

This Financing Plan addresses the needs for Phases 1A and 1B of the proposed New Zoo in Elk Grove. This plan outlines the cost of constructing the on and off-site improvements, including soft and hard costs, and identifies various funding sources to meet these costs. The proposed New Zoo is a regional project that will require not just local funding by the City of Elk Grove but also partnership with people and organizations from around the region to make the project a reality. This Financing Plan is feasible and realistic and will help make the New Zoo a reality. The goal is to create a world-class zoo that will be a source of pride for the community and a destination for visitors from around the region and beyond.

Within this Financing Plan, various funding sources are the responsibility of the City, the Sacramento Zoological Society (the Zoological Society, or Society), other agencies through their existing impact fee programs, and various donors or regional collaborations. This Financing Plan does not seek to specifically identify the donors or regional collaborations but rather identify the Project needs. As discussed later in the Plan, various stages of the Project cannot move forward until the non-City funding sources are secured.

As noted, this Financing Plan only addresses the costs for Phases 1A and 1B of the proposed New Zoo. Financing for the later phases will likely require preparing other finance plans as applicable. This Financing Plan also does not address the annual maintenance obligations for the operation of the New Zoo once constructed. According to the feasibility study, the New Zoo would not require an operating subsidy. The annual maintenance and operational costs are the sole responsibility of the Zoological Society. An operational analysis has been prepared by the Society and is available separately.

Overview of the Project

The proposed New Zoo at Elk Grove Project involves the construction of a new zoological park and associated facilities and activities on an approximately 100-acre site at the northwest corner of Kammerer Road and Lotz Parkway.

The zoological park would include various facilities and buildings to be developed in phases. The main facility would be on approximately 65 acres and designed to support an average annual attendance of between 1.1 and 1.6 million visitors. The facility would be organized into four primary zones: Green Corridor, Africa, California, and Australasia. The Green Corridor would be the main pedestrian pathway through the New Zoo.

The Project is divided into four broad phases, which include the following:

- **Phase 1** of the Project would involve constructing the Green Corridor and Africa. However, specific animal habitats within these zones may be phased depending on project funding. Phase 1A would include the base Zoo footprint, and Phase 1B would consist of additional zoological features as shown in the Project Plans. Phase 1C would include the hippopotamus and additional savannas in the site's northwest corner.
- **Phase 2** of the Project would include the California zone with exhibits at the southeast portion of the site. The California zone would consist of restrooms, a possible rehab and rescue facility, a building for changing exhibits, and an education building. Additional overnight guest accommodations, with views of animal habitats and holding areas, may also be included.
- **Phase 3** would construct a permanent administration office building, replacing the modular buildings in Phase 1. The Administration building would be between the California zone and the entry complex. The building(s) would be no more than three stories tall.
- **Phase 4**, the Australasia zone, would be located north of the Animal Care building near the site's northeast corner. Additional overnight guest accommodations may also be included, with views of animal habitats and holding areas.

Each phase may include one or more sub-phases. For example, Phase 1 has been divided into 1A, 1B, and 1C.

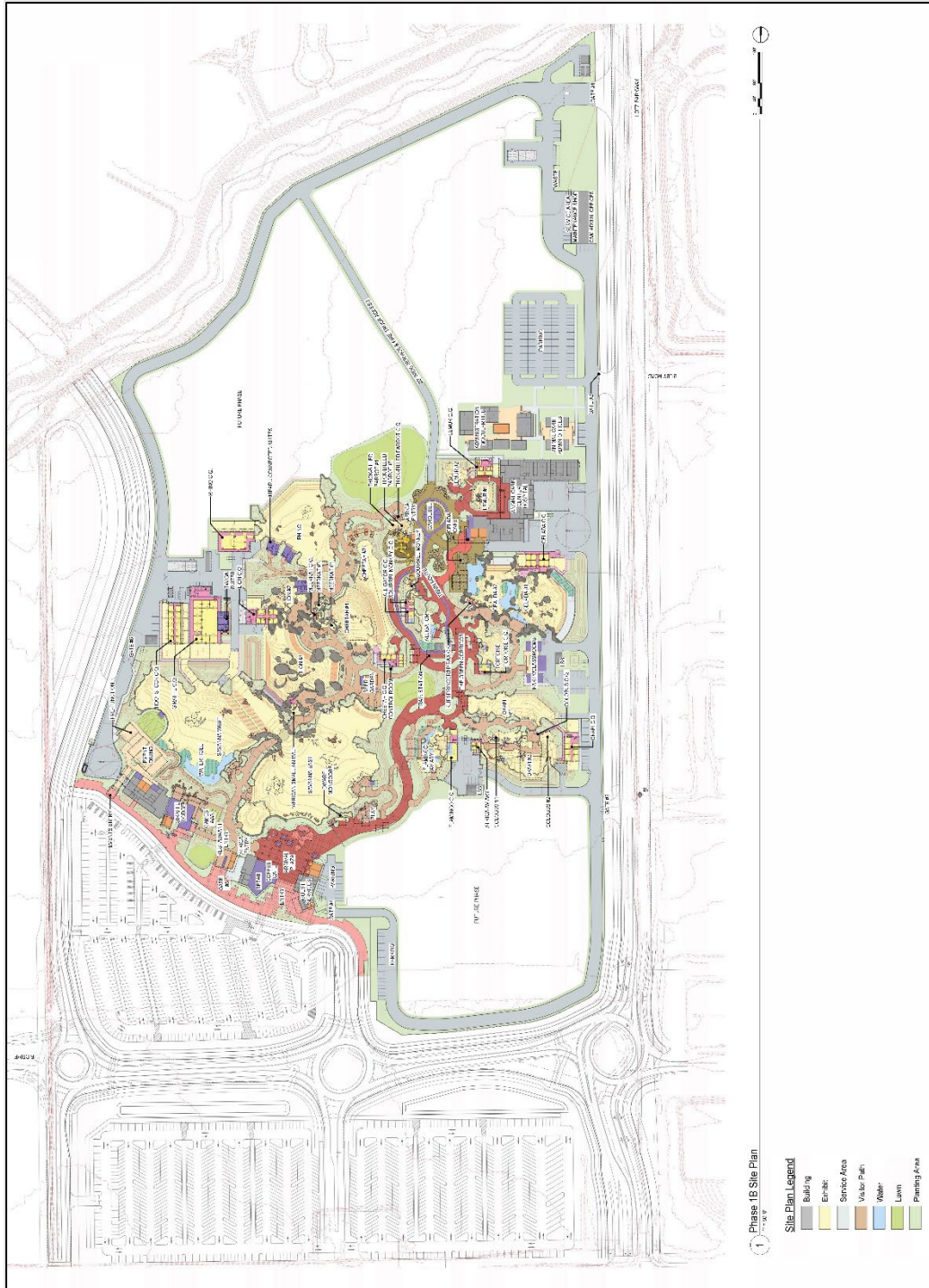
This Financing Plan focuses on the cost and needs for Phases 1A and 1B. Future phases (1C, 2, 3, and 4) will require additional financial planning.

Focus of Phases 1A and 1B

This Financing Plan focuses on Phases 1A and 1B. These phases were selected because they involve the development of the core Project facilities, including the entry complex, the animal care and nutrition center, major guest services and amenities (dining complexes), and landmark species, including giraffe, okapi, gelada, lion, and cheetah. It also includes the construction of the necessary offsite infrastructure to serve the Project, including the extension of roadways, water, sewer, and dry utilities, parking facilities, and pedestrian and bicycle facilities. Details on the elements of Phases 1A and 1B are available in the Project plans and are illustrated in Figure 1.

The approach for Phases 1A and 1B is similar to that described in the 2022 Feasibility Study. However, the Feasibility Study did not address the offsite infrastructure necessary to serve the site, nor did it include all the planned guest amenities and support services for the Project.

Figure 1: Phases 1A and 1B of the Proposed Project



Cost Estimates

During the development of the Project, multiple rounds of cost estimates were prepared. This allowed for tracking the Project design relative to the cost targets anticipated in the Feasibility Study. It also allowed for value engineering of the Project design and adjustment of the Project program.

The cost estimates presented in this Financing Plan are based upon the final Schematic Design plan set (dated Fall 2023) and were completed in January 2024. They are priced based on current market conditions, meaning they are based upon similar work and material types for recent construction projects (e.g., paving costs are based upon recent paving work on recent projects). As the Project moves forward into the next round of design work (Design Development and Construction Design), additional estimates will be prepared to ensure alignment between the vision and Project budget.

The costs are divided into two components: on-site and off-site.

- **On-site** costs include construction of the Zoo, including animal habitats and holding areas, the animal care center (veterinary and nutrition facilities), guest facilities and amenities (e.g., gift shops, restaurants, restrooms, plazas), and office and storage/maintenance facilities. This component also includes public art, impact fees, and the north and south parking lot and related drive aisles.
- **Off-site** costs include public roadways (Lotz Parkway, Kammerer Road, Classical Way, and B Street), water and sewer infrastructure, an off-site storm water detention basin and associated drainage pipelines, and dry utilities (electrical and telecommunications) to the site.

Costs are further divided into four major categories:

- **Construction Costs** are the costs involved in constructing the improvements. These include materials and labor, which are generally paid to the construction contractor.
- **Contingency** is an additional budget identified to account for changes in the design or other costs associated with the Project that have been unidentified when the estimate was prepared. Contingency is calculated as a percentage of the construction cost estimate. Early in the design process, a high contingency percentage is utilized; as the design is finalized and more details are resolved, the construction costs are refined (and may increase), and the contingency percentage is reduced. At the current Schematic Design stage, a 15-30% contingency is utilized, depending upon the project component.
- **Soft Costs** are non-construction-related and include design fees, construction management services, fees paid for plan review and inspection or by governmental agencies or impact fees for shared infrastructure, and expenses for furniture, fixtures, and equipment to outfit the Project. In some cases, soft costs are based upon a percentage of the estimated construction costs; in others, they are based upon an estimate of fees or charges expected based on the best available information when the estimate is prepared.
- **Escalation** is anticipated increases in construction costs due to inflation or other increases in labor or material costs from the time the estimate is prepared until, generally, the mid-point of construction. The escalation factor utilized is based upon the category of the improvement (i.e., on-site, off-site) and the anticipated timeframe before the improvement can be constructed (e.g.,

2025-2026 for off-site infrastructure or 2026-2028 for on-site improvements), and historical market trends for increases in construction cost.

Table 1 summarizes the combined costs for Phase 1A and 1B. **Of the On-site component, the total costs for the Zoo, exclusive of parking facilities, public art, and impact fees, is approximately \$226 million.**

Table 1: Proposed New Zoo Project Costs, Phases 1A and 1B Combined

| Component | Construction Estimate | Contingency | Soft Cost Estimate | Escalation | Total Costs |
|--------------------------------|-----------------------|---------------------|---------------------|---------------------|----------------------|
| On-Site | \$173,806,174 | \$22,964,385 | \$42,892,480 | \$18,650,236 | \$258,313,275 |
| <i>Zoo Facilities</i> | <i>158,361,908</i> | <i>\$15,836,191</i> | <i>\$34,839,620</i> | <i>\$16,904,105</i> | <i>\$225,941,824</i> |
| <i>All Other Costs</i> | <i>\$15,444,266</i> | <i>\$7,128,194</i> | <i>\$8,052,860</i> | <i>\$1,746,131</i> | <i>\$32,371,451</i> |
| Off-Site Infrastructure | \$28,233,202 | \$8,469,961 | \$5,230,201 | \$2,096,668 | \$44,030,032 |
| TOTAL | \$202,039,376 | \$31,434,346 | \$48,122,681 | \$20,746,904 | \$302,343,307 |

Note: Totals may not equal due to rounding.

Sources and Uses of Funding

A wide range of funding sources have been identified for the proposed New Zoo Project. These include:

- Development Impact Fee Programs
- City Pay-Go
- Community Partnerships
- Bond Financing

Table 2 summarizes the funding sources identified to achieve the \$302 million Project cost identified in Table 1.

Table 2: Summary of Proposed Project Funding

| Funding Source | Funding Amount | Funding Distribution |
|-------------------------|----------------------|----------------------|
| Development Impact Fees | \$14,834,221 | 5% |
| City Pay-Go | \$93,002,538 | 31% |
| Community Partnerships | \$80,000,000 | 26% |
| Bond Financing | \$114,506,548 | 38% |
| TOTAL | \$302,343,307 | 100% |

Note: Totals may not equal due to rounding.

Development Impact Fee Programs

The City, Sacramento County Water Agency (SCWA), and SacSewer collect impact fees from new development to pay for new infrastructure in developing areas of their service territory. For example, the City collects a Roadway Fee to help finance certain new roadway construction costs. SCWA's and SacSewer's funds apply to qualifying water and sewer infrastructure. These funds are available as credit or reimbursement to a developer to construct this infrastructure.

Based upon the cost estimates prepared for the off-site infrastructure and after review of the three qualifying fee programs and their reimbursement methodologies, the City has identified funds of nearly \$15 million to pay for this infrastructure. Of this total, \$10,684,302 is City Roadway Fee, \$3,641,868 is SCWA fees, and \$670,296 is SacSewer Fees.

For the City Roadway Fees, a minor modification to the 2022 Roadway Fee Program will be necessary to clarify the eligible facilities. Additionally, the City Council may decide to augment the list of eligible facilities in the Roadway Fee Program to include the frontage along Lotz Parkway and Road B, increasing the available funds from the current \$10,684,302. Allocation of these funds to the Project's off-site infrastructure would not impact credits or reimbursements due to developers in the short term. However, it may impact the availability of funds for other City-delivered infrastructure.

The SCWA and SacSewer funds would be available to reimburse the City for construction. Generally, this reimbursement occurs either through the issuance of fee credits or as cash reimbursement. The City has previously secured cash reimbursement for City-delivered SCWA infrastructure, though it happened over a seven-year payback period. For SacSewer funds, the City has previously been issued fee credits, which it then obligated developers to buy and apply to their projects through conditions of approval. For the proposed Project, the City will seek fee credits (to the extent impact fees are charged on the Project) and cash reimbursement for the total costs. To the extent cash reimbursement is available, the City will seek to secure full reimbursement within 24 months of acceptance of the improvements by the applicable agency. As the off-site infrastructure is planned to be constructed in advance of the completion of the on-site improvements, this 24-month period will be sufficient to manage the overall cash flow on the construction costs of the Project.

City Pay-Go

The City has various one-time sources that can contribute to the Project. These sources are identified and explained below, and their potential contribution is summarized in Table 3.

- **General Fund Reserve Funds.** The City maintains multiple reserve accounts, funded from the General Fund, to be used for various purposes as the need arises. Two of these funds are the Capital Reserve and the Economic Development Opportunity Reserve. These Reserve programs are separate from the Economic Uncertainty Reserve, or “rainy day fund,” which assists with navigating future economic uncertainty, cash flow needs, and emergency and disaster recovery. Instead, these funds are used for special projects, acquisitions, or other needs the City Council identifies. The proposed reserve funds for the Project are described below. Details of the City's Reserve Policy are available in [City Council Resolution 2019-083](#).
 - **Capital Reserve Fund.** The Capital Reserve Fund is used for long-term capital projects, such as major facility construction or remodels. It is not used for ongoing maintenance needs.
 - **Economic Development Fund.** This fund is used for economic development opportunities. This particular reserve is newer than the Capital Reserve, so it has a lower fund balance.
 - **Opportunity Reserve.** This fund can be used for projects, acquisitions, or unforeseen events/needs.

- **Casino Payments.** In 2016, the City and the Wilton Rancheria entered into a [Memorandum of Understanding \(MOU\)](#) related to their then-proposed entertainment and gaming facility, what is now Sky River Casino. Under the terms of the MOU, the Tribe is obligated to make various payments to the City, either in lieu of impact fees normally charged on a development project or in lieu of property and sales taxes generated on the property.
 - **Casino Roadway Payment.** This payment may be used for Citywide roadway improvements including, but not limited to: Kammerer Road widening and extension, Lotz Parkway, Whitelock Parkway Interchange, Grant Line Road, traffic signals, and intersection improvements. Note that this is separate from an additional “regional roadway contribution” for regional or shared roadways with the County, including Kammerer Road and Grant Line Road, which has not been included in this Financing Plan.
 - **Casino Community Facilities Payment.** This payment provides funds “for the construction of other community facilities at the City’s discretion.” It is not a required mitigation for the Casino project; instead, it is an additional voluntary payment of the Tribe to the community.
 - **Casino Tax In Lieu Payments (years 1, 2, and 3).** According to the MOU, the Tribe must pay an in-lieu amount toward City tax revenue since the Casino is exempt from local taxation. Over the first three years of Casino operations, \$6,500,000 is due to the City. Note that funds beyond year three are addressed in the proposed Bond Financing section later in this Financing Plan.
- **Community Facilities Districts CFD.** Mello-Roos Community Facilities Districts (CFDs) are formed to finance the construction or acquisition of certain designated capital facilities (infrastructure) and public services by levying special taxes on properties in the CFD. There are several CFDs in the City of Elk Grove. Two such districts have been identified as potential sources for financing the proposed Project.
 - **Poppy Ridge CFD.** This CFD’s infrastructure component is used to fund construction or reconfiguration of various public facilities, including public facility improvements, including parks. The City has reviewed the formation documents for this CFD and has determined that the proposed Project qualifies as a park facility and, as such, is eligible for these funds. There are no outstanding developer reimbursements due from this CFD, and it would not result in park facilities being delayed or eliminated, as all of the park facilities in Poppy Ridge have already been constructed. These are funds separate from maintenance funds over those needed for debt service and any planned City projects.
 - **Laguna Ridge CFD.** The Laguna Ridge CFD infrastructure program provides for the construction of various street improvements and other public facilities generally within the Laguna Ridge and Sterling Meadows neighborhoods, which are named in the CFD formation documents. Lotz Parkway is a named facility and is located immediately adjacent to the Sterling Meadows neighborhood. As such, some of these funds may be used to construct Lotz Parkway. According to the Laguna Ridge CFD Guiding Principles, a portion of the CFD proceeds are specifically assigned to the City for expenditure. These are funds separate from maintenance funds over those needed for debt service and any planned City projects.
- **Tree Mitigation Fee Program.** The City maintains a Tree Mitigation Fee Program, which collects funds from the removal of qualifying trees in the City as part of development projects and uses

them to plant new trees around the community. As part of this Financing Plan, a portion of the available fees would be used to plant trees around the Project site, including in the landscape corridors along roadways, roadway medians, and within the Zoological Park.

- **Measure A.** Measure A is a sales tax program administered by the Sacramento Transportation Authority, a Joint Powers Authority of the County, to fund various roadway construction and maintenance efforts. Certain roadway improvements, including Classical Way and Road B, are eligible for expenditure within the capital expenditures portion of the Measure A program.

To the extent the City spends down the above-listed fund sources, many of which are General Fund, the amount of interest the General Fund earns will commensurately decrease. However, the feasibility and economic impact studies indicated various economic benefits to the region and the City, including additional sales and transient occupancy taxes, which would offset some or all of the forgone interest earnings.

Table 3: Summary of Proposed City Pay-Go Sources

| Funding Source | Funding Amount |
|------------------------------------------------------|---------------------|
| General Fund Reserve Funds | |
| Capital Reserve Fund | \$44,713,610 |
| Economic Development Fund | \$13,395,101 |
| General Fund Opportunity Reserve | \$4,456,598 |
| Subtotal, General Fund Reserve Funds | \$62,565,309 |
| | |
| Casino Payments | |
| Casino Roadway Payment | \$8,107,784 |
| Casino Tax In Lieu Payments, Years 1, 2, and 3 | \$6,500,000 |
| Casino Community Facilities Payment | \$2,000,000 |
| Subtotal, Casino Payments | \$16,607,784 |
| | |
| Community Facilities Districts CFDs | |
| Poppy Ridge CFD | \$6,645,255 |
| Laguna Ridge CFD | \$2,684,190 |
| Subtotal, Community Facilities Districts CFDs | \$9,329,445 |
| | |
| Other | |
| Measure A | \$3,000,000 |
| Tree Mitigation Fee Program | \$1,500,000 |
| Subtotal, Other | \$4,500,000 |
| TOTAL | \$93,002,538 |

Note: Totals may not equal due to rounding. Figures as of June 30, 2023.

Community Partnerships

The proposed New Zoo is a regional facility and will require community partnerships from across the region. The original Feasibility Study articulated initial concepts for addressing this need. This Financing Plan divides the partnership opportunities into three broad categories. Table 4 summarizes the targeted partner funding for each category.

- **Energy efficiency opportunities.** These opportunities focus on energy efficiency programs and design features across the Project site, including solar photovoltaic systems and electric vehicle (EV) charging infrastructure. Under this opportunity, the City and Zoological Society would work to secure a partner that would help fund and construct these components. Opportunities include, but are not limited to, utility companies, solar and EV infrastructure companies, and various State and Federal grant programs.
- **Animal care opportunities.** Because of the Project's unique nature, various animal care-related programs, services, educational institutions, non-profits, and companies are targets for assisting with funding the animal care facilities within the Project, principally the veterinary hospital.
- **Zoological Society partnership responsibilities.** This category consists of funds identified and collected specifically by the Zoological Society. Under the terms of the draft agreement between the City and the Society, the Society is specifically responsible for securing these funds from various donors.

Table 4: Summary of Targeted Partner Funding

| Funding Source | Funding Amount |
|-------------------------------------------------|---------------------|
| Energy Efficiency Opportunities | \$10,000,000 |
| Animal Care Opportunities | \$20,000,000 |
| Zoological Society Partnership Responsibilities | \$50,000,000 |
| TOTAL | \$80,000,000 |

The City and Society will work jointly to identify prospective partners and secure funding for the Energy Efficiency and Animal Care Opportunities. The Society is solely responsible for its partnership responsibilities.

Within the Society's responsibilities category, the Society shall be given credit for the \$1,657,374 in Design Development Costs that they have spent in Winter and Spring 2024. These expenses are included in the soft cost portion of the On-Site Zoo Facilities costs as they are eligible design costs. Other Society costs to date relative to the overall site master plan and Schematic Design, which total \$4,272,425, are excluded from potential credit as they were costs anticipated in the May 2022 Memorandum of Understanding between the City and Society for project visioning costs and planning and environmental clearance tasks.

Bond Financing

After accounting for the development impact fees, City funding opportunities, and community partnerships, there is a remaining Project cost of \$114,506,548. This Financing Plan proposes to complete the Project financing with bond funds utilizing tax-exempt financing, which is the most cost-effective form of financing available to the City. Tax issues surrounding concessionaires, zoo management, and naming rights need to be carefully considered when structuring the bond issuance to conform to Internal Revenue Service rules regarding the uses of tax-exempt financing. If portions of the Project are found to require taxable debt, that would increase financing costs since taxable bond interest rates are .75%-1% higher than tax-exempt rates. It is also important to note that the scenarios below assume the City maintains its "AA" credit rating, which is a crucial component of how much interest the City is charged on the debt it issues. To address concerns about new construction risks from investors and rating agencies, a conservative strategy involving the use of 24 months of capitalized interest was included in the scenarios. This strategy rests on the premise that the City will have insufficient essential assets at the beginning of the financing period. Furthermore, it presupposes that bond-funded projects will not be prepared for utilization or occupancy within the initial 24 months.

With the assistance of its bond financing team, the City prepared multiple scenarios considering the term, interest rate, structure, and prospective funding sources for repayment of bond principal and interest. The team modeled an issuance that would yield a \$114.5 million project fund and took into account the current interest rate environment for tax-exempt financing, which is around 4.25% for an organization with a “AA” credit rating, which Elk Grove has. We are cautiously optimistic that the interest rate environment will improve if the Federal Reserve lowers interest rates later this year, as markets expect. The \$114.5 million scenario yielded an average annual repayment of \$7,804,958. The total amount of debt service, including costs of issuance, principal, and interest (including capitalized interest), is approximately \$218.5 million.

If we assume the Project does not require bond funds until 2027 or 2028, interest rates will likely be lower than the 4.25% assumed in the above scenario. Assuming the same-sized project fund of \$114.5 million is needed, the reader can understand how rates affect the annual debt service payments.

Table 5 Interest Rate/Bond Payment Scenarios

| Interest Rate | Average Annual Payment | Difference from 4.25% Scenario |
|---------------|------------------------|--------------------------------|
| 3.50% | \$7,037,773 | (\$767,185) |
| 3.75% | \$7,287,509 | (\$517,449) |
| 4.00% | \$7,543,286 | (\$261,672) |
| 4.25% | \$7,804,958 | \$- |
| 4.50% | \$8,072,148 | \$267,190 |
| 4.75% | \$8,346,040 | \$541,082 |

To the extent interest rates decrease and/or the amount needed to finance is lower, the City’s debt service costs will decrease as the Society’s contribution is fixed at \$2.5 million.

The following funding sources are available to repay the bond:

- **City Sources**
 - **Casino Tax In Lieu Payments (after Year 3).** As mentioned, the City and Wilton Rancheria have entered into a [Memorandum of Understanding \(MOU\)](#) related to the Sky River Casino. One portion of that agreement provides that the Casino make annual payments in lieu of taxes that would otherwise be collected on that project. While years 1, 2, and 3 of those payments are accounted for earlier in this Financing Plan, payments for years 4 and beyond are available to meet the bond obligations. These payments are in addition to the payments intended to offset impacts to law enforcement and traffic and have not been identified for any specific purpose.
 - **Revenue Neutrality Payment.** Sacramento County withholds a portion of the City's property tax revenues (the withholding is treated as a payment) as part of the annexation agreement. The final payment is due in FY 2025, so the City can apply these payments towards the Project bonds.
 - **Costco Development Incentive Payoff.** [In 2017](#), the City and The Ridge EG East, LP, entered into an [Economic Development Incentive Agreement](#) for the Costco project on Elk Grove Boulevard. While the term of the Incentive Agreement was 25 years, the City completed its obligations and made the final payment last fiscal year. The City could apply

the equivalent annual payment from the Incentive Agreement towards the bond payment.

- **Laguna Palms Debt Service.** The City has outstanding debt on its Laguna Palms properties that will mature in Fiscal Year 2027. The equivalent payment can be applied toward the Project bonds.
- **Zoological Society Sources.** This funding source for the bond repayment would be the exclusive responsibility of the Zoological Society. The Society would remand the funds to the City annually. The Society would have exclusive discretion on the funding source, including donations, ticket revenue or surcharge, or other sources. The Project cost estimate does not include funding for the equipment to charge end users for parking at the Zoo; the included costs are for signage and wayfinding technologies to inform patrons of available parking. In other words, at this time, guests cannot be directly charged for parking under the current Project design and cost estimate. Should the Society add such pay for parking equipment, that cost would be their sole expense and separate from any costs listed here.

Table 6: Annual Bond Repayment Sources and Amounts

| Funding Source | Funding Amount | Percent Responsibility |
|-------------------------------------------------------|--------------------|------------------------|
| City Sources | \$5,420,000 | 68% |
| <i>Casino Annual Tax In-Lieu Payments¹</i> | <i>\$2,500,000</i> | |
| <i>Revenue Neutrality Payment</i> | <i>\$1,700,000</i> | |
| <i>Costco Development Incentive Payoff</i> | <i>\$800,000</i> | |
| <i>Laguna Palms Debt Service</i> | <i>\$320,000</i> | |
| Zoological Society Sources | \$2,500,000 | 32% |
| TOTAL | \$7,820,000 | 100% |

Notes:

1. The Casino Annual Tax In-Lieu Payments are subject to a 2% annual escalation, which is not shown in this table.

As shown in Table 6, sufficient sources and monies are available to repay the planned bond issuance. These amounts may be lessened if any of the following occurs:

- The bond is issued for less than \$114,506,548 due to overall Project cost savings or increased funding from other sources.
- The bond is issued at a lesser interest rate than the 4.25% scenario used in this Plan.
- At some point during the term of the bond, interest rates are sufficiently lower than at the time of the initial issuance such that refinancing the bond is of financial benefit to the City and Society.

Summary of City Financial Participation

As shown, many sources are included to fund the proposed Project. **When specifically looking at the City's share, exclusive of development impact fees, the City contributes 57% towards the overall costs.** This includes the City Pay-Go and 68% of the total Bond proceeds. This percentage is lower (39%) when excluding funding elements related to the Wilton Rancheria MOU.

Managing Risk

Several points of risk exist within the Project and this Financing Plan. Major risk points include:

- The Proposed City Funding Opportunities and Annual Bond Repayment Sources represent a significant financial investment by the City and utilize most of the City's discretionary project reserves as well as recurring revenue that could be used for other projects. However, none of the funds are necessary to support ongoing City operations, and the use of these funds should not impact City services. Further, this Financing Plan does not require or propose using any Measure E funds, and those funds will continue to be used to support the community's highest priorities. Finally, absent a severe economic downturn or a "black swan" event that impacts the City's finances, the City should continue to fully fund and maintain its Economic Uncertainty Reserve, which represents 25% of adjusted appropriations, equaling over \$22.7 million at the beginning of the current fiscal year.
- Increasing construction costs (labor and materials), which are largely outside of the City and Society's control.
- Increases in bond financing costs, which are mostly outside of the City and Society's control.
- Design and construction challenges or elements for which the cost estimates to date may not fully reflect.
- Challenges in securing partner funding at the minimum levels identified in this Financing Plan.

While not all risks can be removed from a project, especially one as large and complex as the New Zoo Project, there are steps the City and Society can take to manage this risk. Specific management tools and techniques included within this Financing Plan include the following.

1. **Prepare additional cost estimates throughout the Design Development and Construction Design phases.** This will help to ensure that as more details about the Project are included within the Project plans, these costs can be accounted for and tracked against the total Project cost identified in this Plan.
2. **Securing the services of a Construction Management firm to assist with refinements to the Project plans and to incorporate means and methods for the construction of the Project into future estimates.** Estimates to date are based upon the services of a construction estimate firm experienced in zoo projects and a local civil engineering firm. The cost estimates can be improved if they are prepared by the contractor or construction management firm selected to build the Project. The construction management firm may also recommend changes that reduce the construction costs while still providing the finished result called for in the Project design. The City is working to secure the Construction Manager At Risk process as the preferred method for construction of the Project, which will streamline this process, bring the prime contractor onboard sooner (targeting fall 2024), and provide a guaranteed maximum price for the Project.
3. As noted, the City has identified a maximum payment for the bond issuance for the Project. Bond funds are not required for the Project until most on-site facilities are placed into construction. **The City will not issue the bonds and proceed with on-site facility construction unless then-current bond rates and/or the amount needed to finance are at a level that allows the City to afford the annual payment.** As of the date of this Financing Plan, current interest rates for tax-exempt financing are at a rate that results in an affordable payment and appear to be trending downward.

4. Partner funding is critical to the overall financial position of the Project. **The City and Society will need to coordinate fundraising activities and market the Project to a wide range of potential partners.** The timing of these funds is of paramount importance. To address this:
 - a. **The Society has agreed to a schedule for securing their portion of the partner funding, with 25% necessary at time of Project approval (spring 2024) and 100% due prior to on-site construction.** Additional interim milestones have also been identified, which allows for tracking of the funding progress relative to progress in completing construction design.
 - b. Many non-profit construction projects, such as museums and other zoos, often do not secure all their partner funding until after project construction has begun, or some partner funding may be spread over several calendar years. Recognizing this, the Society will work to identify the cash flow requirements of these funds once the actual donations are better known and identified beyond the Project approval date. The Society will seek to identify incremental funding relative to the construction fund needs and any potential short-term borrowing that could be pledged against the outstanding pledge commitments.

5. The City and Society have identified a Preview Phase focused on the Giraffe Lodge, a portion of the south savannah, and the Giraffe and hoof stock barns. **The intent of the Preview Phase is to advance a core element of the Project in a way that can showcase the opportunity to potential community partners. An additional benefit of the Preview Phase is that it reduces some of the potential exposure to escalation in construction costs.** From an operations perspective, the animals included in the Preview Phase do not require the Animal Care Center and the staffing costs are manageable, allowing the Society to operate both the New Zoo and the Land Park location simultaneously. However, this phasing approach does open the possibility that a significant delay could occur between the completion of the Preview Phase and the full Phase 1A and 1B improvements, leading some to wonder about the ability of the City and Society to deliver the Project. To manage this risk, the City and Society will need to consider the timing of community partnership funding and the remaining required commitments before initiating construction of the Preview Phase.

Implementation and Next Steps

This section describes the overall implementation of this Financing Plan and the necessary financial steps to complete the Project.

- The City and Society will prepare an agreement to memorialize terms and conditions for financing the Project and roles and responsibilities for delivering the Project. *Deadline: Spring 2024 as part of Project approvals.*
- The City will work with SCWA and SacSewer on agreements relative to fee obligations, credits, and reimbursement for constructing their facilities as part of the Project. *Target date: Fall 2024/Winter 2025*
- As of July 1, 2024, sufficient City funds are on hand to proceed with Design Development and Construction Design work for the Off-Site Facilities. The City will proceed with developing Capital Improvement Program projects for these elements and moving forward with these phases of work. There are also sufficient funds available over the next five years to proceed with constructing these facilities. *Target dates: beginning in mid-2024, with completion targeted for 2027.*
- On-Site Facilities
 - Sufficient City and Society funds are available to advance Design Development and Construction Design for the on-site facilities. *Target dates: This work can begin in 2024 and continue through 2026.*
 - On-Site Facility construction may occur in phases (the Preview Phase, then the balance of Phases 1A and 1B) based upon securing Community Partner funding. *Target dates: This work could begin in late 2025/early 2026 for the Preview Phase, with the balance beginning in late 2026/early 2027. The objective is to open the Preview Phase in 2027 and the balance of the Project in 2029.*