

Fresno Chaffee Zoo  
894 W. Belmont Avenue  
Fresno, CA 93728

Fresno's Chaffee Zoo Corporation  
**Board of Directors, Finance Committee Meeting**  
*Minutes*

May 20, 2020 4:00 PM  
Zoom: <https://zoom.us/j/93122818977>

*This meeting was conducted onsite at the Zoo with consideration of social distancing guidelines and allowing participation via Zoom. Certain public notice requirements under the Brown Act have been suspended during the COVID-19 pandemic including postings in areas for those Board members participating via teleconference.*

**Committee Members Present**

- Dr. K.C. Chen
- Mr. Babatunde Ilori
- Mr. Kyle Kirkland
- Mr. Rion Morgenstern, Chair

**Zoo Staff Present**

- Mr. Scott Barton
- Mr. Steven Gonzales-Warkentin
- Ms. Laura Martina
- Mr. Amos Morris
- Dr. Lily Wachter

**Guest Speakers Present**

- Mr. Chris Comstock, Regency Investments
- Mr. Judson Meyer, Regency Investments

**Item 01: Roll Call**

Mr. Gonzales-Warkentin took roll and established that Dr. Chen, Mr. Kirkland and Mr. Morgenstern were present, constituting a quorum. Mr. Babatunde joined the meeting at approximately [time?].

**Item 02: Public Comment**

Mr. Morgenstern asked if there were any comments from the public. No comments were offered by the public.

**Item 03; Chair Report**

Mr. Morgenstern stated this was his first time chairing a committee of this type and was looking forward to the topics of discussion.

**Item 04: Receive Regency Investments report**

Mr. Morgenstern introduced representatives of Regency Investments to provide the scheduled quarterly update to the Committee on performance of the ZooCorp's investment accounts. Chris Comstock of Regency, noted that the first quarter had been very challenging with severe market declines and volatility in March and April 2020. He then presented the quarter-to-date returns of the General and Endowment funds through the beginning of May 2020 and noted that both accounts had increased in value in the 2<sup>nd</sup> quarter (post March 31, 2020) and had recovered from the COVID-19 related market decreases after March

23<sup>rd</sup>. He added that the market continued to show ongoing volatility and expressed caution over long-term performance depending on any post-shutdown economic recovery.

The Committee asked questions about market volatility, asset repositioning and changes in investment strategy. Mr. Comstock confirmed that no asset allocation changes had been made in the quarter, that his team was monitoring the investments in both accounts and that he agreed with the general sentiment of market observers to avoid trying to time changes to the portfolio in times of extreme volatility. Dr. Chen noted that the market tends to be forward looking and that the recent rebound would suggest optimism for economic recovery.

Mr. Comstock confirmed that the Zoo was in compliance with its Investment Policy Statement in terms of target return (5%), asset allocation, permitted investments and reporting requirements.

Mr. Morgenstern asked if there have been previous discussions about allocating a portion of the Zoo's investment portfolio based on the Zoo's mission. Mr. Barton was unaware of any previous effort but thought the idea was interesting but noted that it might require a change in the existing Board-approved investment strategy. Mr. Morgenstern thanked the representatives of Regency for their report; they exited the meeting.

**Item 05: Approve committee meeting minutes from 01/23/2020**

Mr. Morgenstern asked if there were any suggested revision to minutes of the January 23, 2020 minutes as presented in the materials. With no revisions suggested by the Committee, Mr. Kirkland made a motion to approve the minutes as presented and Dr. Chen seconded. The motion passed unanimously.

**Item 06: Approve Year-to-Date Financial report**

Mr. Morgenstern then asked Dr. Wachter, Chief Financial Officer, to present her report on the Zoo's financial results since the prior Committee meeting. Dr. Wachter reported that attendance for the first quarter of 2020 had decreased 21% year over year due to the COVID-19 related closure to the public on March 15, 2020. . With the closure, self-generated revenue was 20% below budget and although expenses were also down with the closure, operating income was 65% below budget. As expected, with no attendance allowed at the Zoo during the closure, self-generated revenue was 97% below budget for April. Dr. Wachter also noted that prior to the COVID-19 closure attendance at the Zoo had been above budget with strong attendance in February (almost double budgeted amounts) and better than expected results from the Zoorassic Park exhibit.

Mr. Morgenstern noted that prepaid expenses went up in December 2019 and asked Dr. Wachter to research and identify the source of the increase for a future meeting. Dr. Wachter noted the Company's current cash position, increased borrowings on its margin line to fund ongoing operations and recent receipt of Measure Z funds. She also discussed the Zoo's recent approval and receipt of a \$1.7 million Payroll Protection Plan loan pursuant to the CARES Act and stated that she believed a majority of the loan would be forgiven given her analysis of the Zoo's ability to meet existing loan forgiveness parameters as presented by the SBA. After further discussion by the Committee members, Mr. Kirkland made a motion to accept the year-to-date financial report as presented and recommend to the Board of Directors. Dr. Chen seconded the motion. It was passed unanimously.

**Item 07: Approve Fresno Chaffee Zoo's request for funding for the Animal Ambassador building**

Mr. Barton stated that the Zoo had requested bids for the Animal Ambassador project, and received bids from three companies equally qualified to complete the requested work, all of whom have solid reputations in the Fresno community. Mr. Barton noted that the bids for the Animal Ambassador building came in higher than expected, but the bids for the Zooplex building came in lower. Zoo management had reviewed and analyzed the bids from all three companies bidding on the Ambassador building and felt comfortable

proceeding with the lowest bid of \$2,695,000, submitted by Durham Construction Company. Mr. Barton confirmed that the project costs would also include a 10% construction contingency and other costs related to stocking and staffing the project resulting in a total request of approximately \$3.4 million.

Mr. Kirkland asked if the Zoo team was confident that the low bid was realistic and covered all essential items. Mr. Barton stated that the Zoo's Project Manager, Mr. Jesse Santiago, has reviewed the schedule of values and felt confident that the bid covered all the items outlined in the Zoo's bid request.

Mr. Kirkland made a motion to accept the recommendation of Durham Construction Company as the contractor for the Ambassador Animal building with a project cost of \$3,354,257.82 and to recommend to the Board of Directors for approval; Dr. Chen seconded the motion. The motion was passed unanimously.

**Item 08: Approve Fresno Chaffee Zoo's request for funding for the Zooplex building**

Mr. Barton stated that the Zoo had requested bids for the Zooplex project and received three bids from qualified vendors. Mr. Kirkland noted the significant difference between the highest bid (F&H Construction) and lowest bid (BMY Construction) and asked if there was anything substantial that resulted in the cost difference. Mr. Barton shared that Mr. Santiago had reviewed the proposal with BMY, confirmed that it covered all request items and affirmed BMY's confidence with its bid.

Mr. Barton stated that after review and careful consideration of all three bids, Zoo management recommended moving forward with BMY Construction, the lowest bidder. The project costs included the bid cost of \$9,985,000, a 10% construction contingency and other integral costs related to stocking and staffing the project, resulting in a total request of \$12,205,796.

Mr. Kirkland made a motion to accept the recommendation of BMY Construction as the contractor for the Zooplex building with a project cost of \$12,205,796 and to recommend to the Board of Directors for approval. Dr. Chen seconded the motion. The motion was passed unanimously.

**Item 09: Receive financial update resulting from closure**

Mr. Morgenstern then asked Dr. Wachter to provide an update on the Zoo's financial position given the ongoing closure. Dr. Wachter stated that the Zoo could likely be funded through the end of 2020 with use of its margin line, provided the Zoo could generate an additional \$3 million in self-generated revenue between now and year-end. Should this not be possible, the Zoo would need to identify other revenue sources or further expense reductions. Dr. Wachter noted that with the closure to the public between March 15 and April 30, the Zoo lost the opportunity to generate approximately \$2,500,000 in revenue. Dr. Wachter stated that she expected the revenue loss to increase to \$5 million assuming that Zoo did not open before June 30, 2020. She pointed out that there are Measure Z funds to cover this shortfall through 2020 given the Zoo Authority's approval to reallocate previously approved funds and the receipt of PPP funding during this time. Further, Dr. Wachter believed the Zoo had adequate funds for operations from its existing cash, the PPP loan, borrowings under the margin line and expected Measure Z funds. She noted that the Zoo Authority anticipated that tax receipts for 2021 will decrease having an unquantified impact on available funds through Measure Z in the near term.

**Item 10: Receive budget update**

Dr. Wachter then presented two June 1<sup>st</sup> reopening scenarios and the expected impact on the Zoo's budget. The first scenario showed a June 1<sup>st</sup> reopening, subsequent opening of cash generating exhibits like Behind the Scenes, Giraffe Feeding and Sting Ray Bay and the public's embrace of the reopening, attending and spending money per capita onsite. In that scenario, by the end of 2020, the Zoo would have approximately \$1,598,242 drawn on its margin loan. The second, a more conservative projection based on a much slower recovery and none of the aforementioned exhibits reopening, would result in \$2,923,174 outstanding on

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the margin loan at year-end 2020. She discussed that these projections were both rough estimates and that the Zoo would remain flexible to changing opening conditions and public response.

Mr. Morgenstern thanked Dr. Wachter for her diligence in analyzing the possible scenarios the Zoo might face upon reopening.

**Item 11: Old Business**

None was presented.

**Item 12: New Business**

None was presented

Mr. Morgenstern adjourned the meeting at 5:26 PM.