



PATRICK H. WEST  
CITY MANAGER  
November 20, 2007

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Authorize the City Manager to execute an amendment to the Implementation Agreement with Aquarium of the Pacific, a California nonprofit public benefit corporation, providing up to \$250,000 in fiscal year 2008 toward capital reinvestment opportunities. (District 2)

**BACKGROUND**

The Aquarium of the Pacific (Aquarium) is a not-for-profit educational institution that manages and operates the Aquarium on behalf of the City. Now in its sixth year of annual attendance and operating revenue increases, the Aquarium is committed to maintaining the Aquarium at a high standard of excellence for its guests, employees, and animals from its operating revenues. In addition, the Aquarium needs to present an entertaining and educational experience to every guest in order to ensure that the Aquarium remains a vibrant, healthy asset that delivers educational and economic benefits to the City, its neighborhoods, and the region.

The Aquarium began planning for growth in 2002. An independent consultant was hired to develop recommendations for improving the Aquarium's long-term financial strength, increasing revenue-generating opportunities, and expand visitor capacity. The end result of this effort was a Campus Master Plan (CMP), unveiled in January 2005. The CMP focused on expanding capacity to 2.2 million annual visitors and growing attendance to 1.7-1.8 million visitors per year. Next, the City hired a consultant to review the Aquarium's plans and its operating performance. The consultant determined that the Aquarium operates at an above-average efficiency level compared to its peers. The study showed the Aquarium had the second highest visitors per square foot and the highest earned income ratio among its peers. On September 20, 2005, the City Council authorized the execution of an Implementation Agreement, which served to strengthen the Aquarium's ability to secure donations. The Implementation Agreement provided, among other things, a fixed lease payment, a secure parking revenue income stream, a secure operations and maintenance budget, and additional program reinvestment funds, shared with the City, should operating revenues exceed the city-approved budget. The additional program reinvestment funds are intended to address some of the program enhancements identified in the CMP as a goal to increase revenues.

The Aquarium is requesting that the City provide up to \$250,000 annually toward capital reinvestment opportunities contingent on the availability of Tideland funds. These reinvestment opportunities are in addition to the Aquarium's Operations and Maintenance budget and are intended to ensure long-term sustainability of the Aquarium, focused on enhancing revenue or reducing cost, improving the guest experience, and increasing environmental sustainability. In no event will this funding be used to supplant the Aquarium's ongoing Operations and Maintenance commitments. Projects selected will allow the Aquarium to maintain its competitive strength and multi-year growth trend. Examples of these opportunities are provided in the attached exhibit. The Aquarium will submit a list of potential projects, and the City and Aquarium will jointly select the projects for the upcoming year. The City's annual participation would be up to \$250,000.

At this time, authority is only being requested for fiscal year 2008. An annual program will be analyzed in context of a future Tidelands infrastructure bond, backed by the Tidelands Fund, which will require City Council approval.

This letter was reviewed by Chief Assistant City Attorney Heather A. Mahood on November 7, 2007 and Budget Management Officer Victoria Bell on November 12, 2007.

#### TIMING CONSIDERATIONS

City Council action is requested on November 20, 2007 to allow the Aquarium to begin planning and prioritizing its capital reinvestment opportunities.

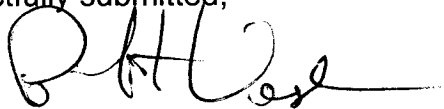
#### FISCAL IMPACT

Subject to availability, up to \$250,000 will be budgeted in the Tideland Fund (TF) in the Citywide Department Fund (XC). This will be a one-time only action in fiscal year 2008, to be subsequently reviewed as a potential annual program when the City Council reviews the feasibility of a Tidelands Bond issue.

#### SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST  
CITY MANAGER

**Aquarium of the Pacific & City of Long Beach  
Reinvestment Opportunities**

**Projects That Enhance the Guest Experience and/or Generate Revenue**

<b>Project Description</b>	<b>Total Project Cost</b>	<b>Project Benefits</b>
Enhance Harbor Terrace	\$150,000	Enhancements to most underutilized area will lead to better use of space, more revenue from aquarium visitors and events
Enhance Baja gallery entrance to eliminate bottleneck	\$100,000	Improve guest flow and capacity for growing crowds; eliminate serious bottleneck
Add shade structure to cover part of sea lion exhibit & seating area	\$250,000	Healthier environment for guests and animals -- one of four most important exhibits at aquarium
Touch labs renovation	\$90,000	Enhance indoor touch labs and add visitor capacity. Touch exhibits are the hallmark of the Aquarium of the Pacific
Add skylights to Tropical Reef exhibit	\$80,000	Improve exhibit experience and reduce energy usage
Expand and improve shade structures on front plaza	\$75,000	Guest comfort while waiting in ticket lines during summer and other peak periods enabling aquarium to handle larger attendance days
Renovation & repair of Northern Pacific Diving Birds exhibit	\$30,000	To improve appearance in gallery with lowest guest ratings and stay-time

**Projects That Increase the Sustainable Operation of the Physical Facility**

<b>Project Description</b>	<b>Total Project Cost</b>	<b>Project Benefits</b>
Increase sustainable facility (green building) projects from \$100K to \$200K annually. Projects could include more water efficient bathroom fixtures and cradle-to-cradle carpeting.	\$100,000 annually	Make the institution look and feel better, while reducing our environmental footprint and setting an example for our guests.
Salt water delivery system	\$1 million	Develop system to deliver water from the local channel to the aquarium, reducing cost of purchasing salt water (Approx. \$400,000 annually) and "greening" operation by eliminating need for diesel trucks to deliver water