



Legislation Text

File #: 07-1357, **Version:** 1

Recommendation to authorize 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)

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 multiyear 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.

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

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.

Approve recommendation.

APPROVED:

PATRICK H. WEST
CITY MANAGER