

Virginia Aquarium Update

Monica D. Croskey, Assistant City Manager

March 26, 2024



CITY OF VIRGINIA BEACH

**City
Manager**

THE EXPLORATION

- The City has been on a deliberate path of evaluating how best to position the Virginia Aquarium to meet its mission while remaining realistic about the City's financial obligations, myriad of capital infrastructure needs, and taxpayer affordability
- Council has been requesting and leveraging quantitative and qualitative data to inform discussions



Qualitative and Quantitative Data Gathering - Highlights

January 10, 2023	Aquarium Director presentation to Council master plan (expansion and renovation)
April 18, 2023	Aquarium Director budget presentation to Council Council requested information on alternative ownership models
Spring 2023	Council requested information on reduced scope for capital project
August 15, 2023	CMO presentation on reduced scope and alternative ownership models Council requested: further explore market/alternative ownership models, gauge community sentiment, and meet with Foundation
September 2023	Leadership met with Foundation Third-party administered statistically significant random-sample survey Issued RFI
November 14, 2023	CMO closed session debrief
November 17, 2023	Staff met with Foundation
December 2023	VAQ employee town halls Media response/release including survey results
February 2024	Onsite visits with RFI Responders
March 2024	Onsite visits debriefs with firm and Foundation Chair
March 29, 2024	City Council closed session debrief

*City Manager and Foundation Chair had meetings beyond meetings captured here

Recap: Existing Partnership Model Highlights

City of Virginia Beach

- Pay for, own, operate and maintain the Virginia Aquarium (including its buildings and grounds) as a City department

Foundation

- Purchase and own the Virginia Aquarium's animal population and exhibits
- Raise money through fundraising to support operations, capital investment, the stranded animal response program, conservation, and scientific research efforts
- Fund and run Virginia Aquarium educational programs

Recap

The Situation

- VAQ key assets at end of useful life
- Documented through public briefings and media that exhibits have been intermittently down over the past couple of years + Aquarium needs capital investments

Addressing the Situation

- Status quo - unsustainable
- Reduced scope \$50M - \$75M
- Original \$200M - \$300M renovation and expansion
- Alternative partnership model

Addressing the Situation: Status Quo

	FY24 Budget (City)
Operating Expenditures*	\$16,021,491
Utilities**	\$1,960,720
CIP Appropriations	\$2,818,840
Debt Service (estimated principal)	\$621,741
Expenditures Total	\$21,422,792
Operating Revenue	\$12,883,794
Admission Tax	\$944,125
Sales Tax	\$147,523
Real Estate Tax	-
Revenue Total	\$13,975,444
Difference	(\$7,447,348)

*excludes indirect costs

**FY23 actual costs

- City currently subsidizes the Aquarium ~\$7.4M each year
- City currently allocates \$2M a year for capital investment at the Aquarium
- Aquarium has capital needs
- Funding anything over \$2M a year requires Council to cut/reduce other capital projects, decide to not invest in other priorities, or increase revenue

Addressing the Situation: \$50M - \$75M

	FY24 Budget (City)
Operating Expenditures*	\$16,021,491
Utilities**	\$1,960,720
CIP Appropriations	\$2,818,840
Debt Service (estimated principal)	\$621,741
Expenditures Total	\$21,422,792
Operating Revenue	\$12,883,794
Admission Tax	\$944,125
Sales Tax	\$147,523
Real Estate Tax	-
Revenue Total	\$13,975,444
Difference	(\$7,447,348)

*excludes indirect costs

**FY23 actual costs

\$5M - \$7.5M more in annual debt service payments

- Creates new spaces for the animals
- City would need to address what happens to existing aging infrastructure
- Foundation's fundraising efforts may reduce amount needed in debt
- Anything over current funding level requires Council to cut/reduce other capital projects, decide to not invest in other priorities, or increase revenue

Addressing the Situation: \$200M - \$300M

	FY24 Budget (City)
Operating Expenditures*	\$16,021,491
Utilities**	\$1,960,720
CIP Appropriations	\$2,818,840
Debt Service (estimated principal)	\$621,741
Expenditures Total	\$21,422,792
Operating Revenue	\$12,883,794
Admission Tax	\$944,125
Sales Tax	\$147,523
Real Estate Tax	-
Revenue Total	\$13,975,444
Difference	(\$7,447,348)

*excludes indirect costs

**FY23 actual costs

\$20M - \$30M more in annual debt service payments

- Creates parking deck, new spaces, and addresses existing aging infrastructure
- Foundation's fundraising efforts may reduce amount needed in debt
- Anything over current funding level requires Council to cut/reduce other capital projects, decide to not invest in other priorities, or increase revenue

Addressing the Situation: Broader City Scan



Unfunded Needs and Delayed/Deferred Projects

- Insufficient funds to meet additional funding requests for existing and new projects totaling more than \$634 million
- Including Flood Protection Section requested need grows to \$991 million

City's debt metrics and capacity shared with Virginia Beach City Public Schools

Recap

The Situation

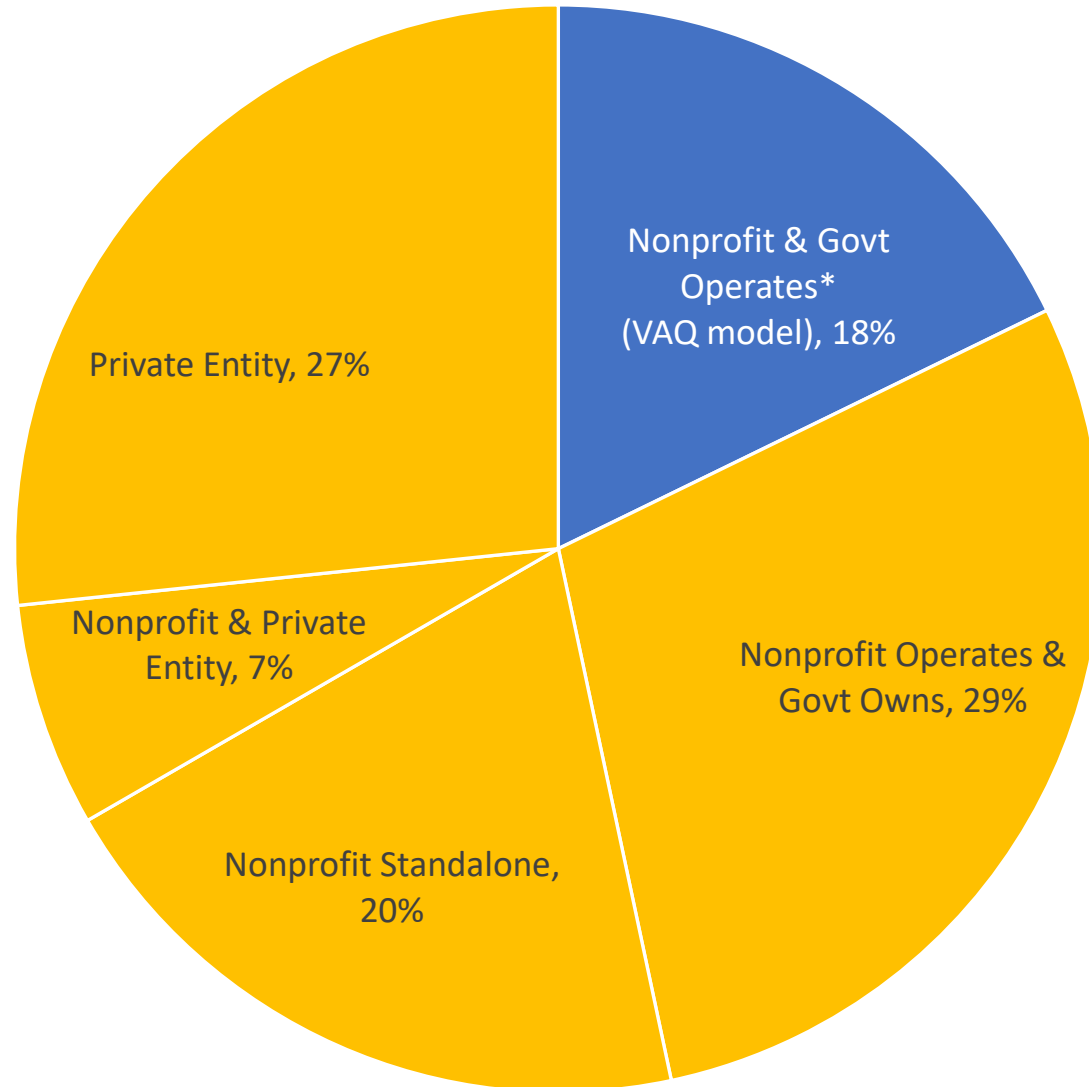
- VAQ assets end of useful life
- Documented through public briefings and media that exhibits have been intermittently down over the past couple of years + Aquarium needs capital investments

Addressing the Situation

- Status quo - unsustainable
- Reduced scope \$50M - \$75M
- Original \$200M - \$300M renovation and expansion
- Alternative partnership model

Alternative Partnership Models Research

Reviewed partnership models for 32 of 57 U.S. aquariums **accredited by the Association of Zoos & Aquariums** and 13 accredited zoos



Observations: Changes in Model Used

- **Center of Aquatic Sciences at Adventure Aquarium:** Private Entity “**acquired Adventure Aquarium.**”
- **Sacramento Zoo:** In 1997, **as City funding continued to decrease, the Sacramento Zoological Society took over financial and daily management** of the zoo from the City of Sacramento.
- **Birmingham Zoo:** “**With so many financial demands on the city taking precedence** and no leadership when it was needed most, the Zoo lost accreditation by the Association of Zoos & Aquariums. In 1999 **Mayor Richard Arrington led the way for the privatization of the Zoo**, recruiting strong community leaders to serve as the first Board of Directors of a new organization, Birmingham Zoo, Inc. (BZI). The new organization established a transitional funding package with contributions from four government entities to support BZI during its first five years of operation. BZI is now in its nineteenth fiscal year as a private, non-profit organization.”
- **Seattle Aquarium:** “Opened in 1977, the Seattle Aquarium **was owned and operated by the City of Seattle Department of Parks and Recreation until 2010, when the nonprofit Seattle Aquarium Society assumed its management**—a model used by most leading zoos and aquariums across the country.”
- **Atlanta Zoo:** “In 1984, a series of **highly publicized events revealed deteriorating conditions** at the Zoo, prompting Parade magazine to label the institution as one of the top 10 worst in the nation. A subsequent investigation lost the Zoo its accreditation, and an outraged public demanded that the facility be closed. Mayor Andrew Young assembled an emergency crisis team. **New governance followed in 1985, with the Zoo’s privatization and the creation of the nonprofit Atlanta Fulton County Zoo, Inc.**”

Alternative Partnership Models

Virginia Beach

Broader Awareness: Media Coverage

Aquarium foundation says renovations can be done for \$50M-\$75M, instead of original amount 4 times that price
WAVY 10 Hampton Roads | 01/17/2024 | Online

Virginia Beach leaders weigh funding options, consider change of ownership for Aquarium
WTKR 3 Hampton Roads | 12/18/2023 | Online

Virginia Beach explores private ownership options for Virginia Aquarium
VPM | 08/18/2023 | Online

Virginia Beach is exploring private ownership options for Virginia Aquarium
WHRO Norfolk | 08/17/2023 | Online | Ryan Murphy


VB exploring alternative ownership, operational models' for aquarium
WTKR 3 Hampton Roads | 12/17/2023 | Online

Virginia Beach exploring new ownership options for Aquarium, not ruling out a possible sale
WRIC abc 8 | 12/15/2023 | Online


Virginia Beach is exploring private ownership options for Virginia Aquarium
youtube.com | 02/14/2024 14:20 | YouTube | WHRO Public Media

Status: WHRO Public Media

facebook.com | 08/17/2023 18:00 | Facebook | whropublicmedia

WRIC abc 8 

Virginia Beach exploring new ownership options for Aquarium, not ruling out a possible sale
+1 more publication




(WAVY) – For nearly 40 years, people have come to see all things under the sea at the *Virginia Aquarium* and Marine Science Center.
12/15/2023 12:46 PM

WTKR 3 Hampton Roads 


Virginia Beach leaders weigh funding options, consider change of **ownership** for Aquarium



... – For almost four decades, the *Virginia Aquarium* and Marine Science Center has offered folks in Hampton Roads and beyond a glimpse at ocean life. However, the facility could soon see some changes to **ownership** and operations.
12/18/2023 10:53 AM

WAVY 10 Hampton Roads 

Aquarium foundation says renovations can be done for \$50M-\$75M, instead of original amount 4 times that price




(WAVY) – The *Virginia Aquarium* & Marine Science Center Foundation said they think a modernized main building can now be completed for \$50 million to \$75 million, far less than the original requested amount.
01/17/2024 4:50 PM


WHRO Public Media 

Virginia Beach is exploring private **ownership** options for *Virginia Aquarium*



Virginia Beach is considering handing off the *Virginia Aquarium* to a private operator as Aquarium leaders say they need as much as \$300 million for a major renovation and expansion.
02/14/2024 2:20 PM

WAVY_News 10  @WAVY_News



For nearly 40-years, people have come to see all things under the sea at the *Virginia Aquarium* and Marine Science Center. But could the need for expensive facility improvements mean the publicly-owned attraction might one day see a **new owner**?
12/14/2023 6:40 PM 15

Balanced Media Coverage

December 14, 2023, WAVY

“Currently, Virginia Beach taxpayers are subsidizing the aquarium to the tune of almost \$8 million a year...”

“But who other than the city could possibly write the check? The city manager’s office is now tasked with trying to figure that out.”

“After looking at 32 of 57 U.S. aquariums accredited by the Association of Zoos & Aquariums and 13 accredited zoos, the city manager’s office found only eight have the model Virginia Beach has, in which the nonprofit supports the mission and philanthropic fundraising while the government owns and operates the facility.”

“We are in the process right now of reworking our plans for a scaled-back approach for the aquarium,” said Daniel Peterson, said Daniel Peterson, current chair of the foundation...”

“Peterson...said the foundation would consider a privatization of the aquarium, saying it would be “foolish for us not to consider all potential options.””

“When it comes to his largest concern right now? It’s time.” Peterson said, “If I have an exhibit that is going to fail in two years and it’s going to take two years to build. I don’t have the luxury of waiting 6, 12, 18 months for the city to go through this exercise they are conducting and nothing comes of it.”

Employees + Foundation

- **Employees**

- How would employment be impacted if City transitions to new model
- What happens to stranding response program if City transitions to new model
- When can they expect a decision to be made and communicated

- **Foundation**

- Reduced scope \$50M - \$75M
- Animal welfare, exhibits conditions

- **Timing matters, desire for clarity**

Qualitative and Quantitative Data Gathering - Highlights	
January 10, 2023	Aquarium Director presentation to Council master plan (expansion and renovation)
April 18, 2023	Aquarium Director budget presentation to Council Council requested information on alternative ownership models
Spring 2023	Council requested information on reduced scope for capital project
August 15, 2023	CMO presentation on reduced scope and alternative ownership models Council requested: further explore market/alternative ownership models, gauge community sentiment, and meet with Foundation
September 2023	Leadership met with Foundation Third-party administered statistically significant random-sample survey Issued RFI
November 14, 2023	CMO closed session debrief
November 17, 2023	Staff met with Foundation
December 2023	VAQ employee town halls Media response/release including survey results
February 2024	Onsite visits with RFI Responders
March 2024	Onsite visits debriefs with firm and Foundation Chair
March 29, 2024	City Council closed session debrief

*City Manager and Foundation Chair had meetings beyond meetings captured here

Community

- Every method of scientific inquiry is subject to limitations and choosing among research methods inherently involves trade-offs¹
- Unlike focus groups, interviews, etc., one of the trade-offs with survey research is data that are produced likely lack details or depth on the topic being investigated¹
- However, unlike focus groups, interviews, etc. **representative sample** surveys document that a perception is widespread enough to be observable in the general population **and** allow researchers to explore whether certain perceptions vary by people's attributes¹
- Surveys are an efficient way to collect information about a large group of people

¹Penny S. Visser, Jon A. Krosnick, and Paul J. Lavrakas, "Survey Research." In Harry T. Reis and Charles M. Judd (Eds.) *Handbook of Research Methods in Social Psychology*. New York: Cambridge University Press, 2002.

Community

- Third-party administered survey
- Random-sample, statistically valid
- Demographically representative sample
- +/- 4.4% margin of error at the 95% confidence level

Very Supportive to Neutral

\$200M - \$300M investment	77%
3 rd party operator	72%
3 rd party owner	61%

- Roads
- Stormwater/flooding
- School buildings

Ranked as higher infrastructure priorities

Alternative Partnership Models

Market Interest

Market Interest - RFI

- Issued RFI in September
 - A. Organization Profile
 1. Company Name
 2. Company Address
 3. Brief company history and experience in the field
 4. Company point of contact for RFI Response (Name, Title, Phone, Email)
 - B. Statement of interest to operate, lease, and/or purchase the Aquarium
 - C. List of zoos, aquarium, and/or entertainment attractions within Company's portfolio
 1. If a zoo or aquarium is within the Company's current portfolio, please provide information on the operational and ownership model used for each zoo and/or aquarium.
 - D. Statement indicating willingness to demonstrate the organization's financial stability and financial capability to operate, lease and/or purchase the Aquarium upon request under mutually agreeable terms
- Non-binding
- Three firms expressed interest, two submitted formal responses

Market Interest: Expressed Interest



- Expressed interest
- Currently learning more about the company
-
- Experience operating local government-owned aquarium
- St. Louis Aquarium
- Children's Aquarium Dallas

Market Interest: RFI Responders



Market Interest: Ripley Entertainment



- Part of The Jim Pattinson Group
 - 2nd largest privately-owned company in Canada
 - More than 49,000 employees
- Ripley Entertainment
 - Owns, operates, and franchises over 100 attractions under 12 brands in 10 countries
 - Over 14 million guests each year

Market Interest: Ripley Entertainment



EVOLVING AQUARIUMS

From temporary exhibitions such as the new Curious Creatures show to aquatic adventures like Sleep with the Sharks, Ripley's Aquariums continue to grow and evolve every year.



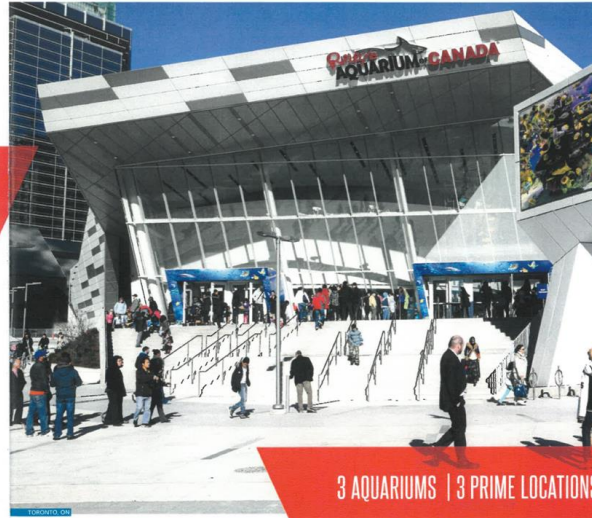
Glass Bottom Boats

Featuring a 16-foot (5-meter) boat, Ripley's Glass Bottom Boat Adventures are the first and only of their kind in North America. This new experience gives guests an up-close view of shark lagoons like never before! Now sailing in Myrtle Beach, South Carolina, and Gatlinburg, Tennessee.

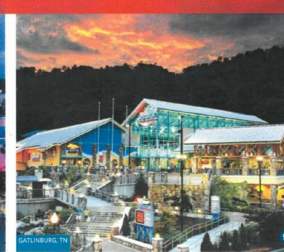


Curious Creatures

Ripley's Aquariums regularly feature new, themed temporary exhibits, like the Curious Creatures exhibit on display now at Ripley's Aquarium of the Smokies. This exhibit hosts several rare undersea critters such as peacock mantis shrimp, giant isopods, and flashlight fish. Set inside a replica of the *Mon Lei*, Robert Ripley's world-traveled junk boat, the exhibit tells of Ripley's travels and the curious creatures he encountered along the way.



3 AQUARIUMS | 3 PRIME LOCATIONS



- Aquariums:
 - Myrtle Beach, SC
 - Gatlinburg, TN
 - Toronto, Ontario, Canada
- Aquarium of the Smokies (Gatlinburg, TN) since 2017 has been ranked by USA Today 10 Best Readers' Choice as best or second-best aquarium in North America
- "Our mission is to provide a top quality, world class aquatic life facility that will foster environmental education, conservation, and research, while simultaneously providing entertainment for visitors of all ages. As a Green Power Participant, we are proud supporters of locally generated, renewable resources."

Market Interest: Ripley Entertainment

	Ripley Entertainment
Year opened/acquired first Aquarium	1997
# Aquariums in portfolio	3
# AZA-accredited	3
Aquarium size range – gallons of water	1.1M – 1.6M
Experience w/ acquisitions	No
Experience w/ govt	Yes
Experience w/ foundations	No, but expressed openness to it
Marine Science Center	Yes
Stranding and rescue operations	No

- Aquariums:
 - Myrtle Beach, SC
 - Gatlinburg, TN
 - Toronto, Ontario, Canada
- Aquarium of the Smokies (Gatlinburg, TN) since 2017 has been ranked by USA Today 10 Best Readers' Choice as best or second-best aquarium in North America
- “Our mission is to provide a top quality, world class aquatic life facility that will foster environmental education, conservation, and research, while simultaneously providing entertainment for visitors of all ages. As a Green Power Participant, we are proud supporters of locally generated, renewable resources.”

Market Interest: Herschend Enterprises

- Founded by Jack and Pete Herschend in 1950's
 - Private, family-owned
 - Largest family-owned themed attractions organization in U.S.
 - More than 11,000 employees
- Herschend Enterprises
 - Creates, develops, and operates 26 entertainment properties across North America
 - Over 14 million guests each year



Market Interest: Herschend Enterprises



- Aquariums:

- Newport, KY (Cincinnati region)
- Camden, NJ (Philadelphia region)
- Vancouver, Canada

- Newport Aquarium and Camden Aquarium continuously listed in the USA Today Top 10 Best Aquariums by popular vote

- “Herschend is committed to its vision of Bringing Families Closer Together® and its mission of Creating Memories Worth Repeating® by producing wholesome, immersive family entrainment experiences. It is our preference to maintain and preserve the core values and operations of all our companies while infusing our culture of Leading with Love®.”

Market Interest: Herschend Enterprises

	Herschend Enterprises
Year opened/acquired first Aquarium	2008
# Aquariums in portfolio	3
# AZA-accredited	3
Aquarium size range – gallons of water	1M – 2.5M
Experience w/ acquisitions	Yes
Experience w/ govt	Yes
Experience w/ foundations	Yes
Marine Science Center	Yes, partnership with non-profit
Stranding and rescue operations	Yes, one of largest mammal rescue ops in world, partnership with non-profit

- Aquariums:
 - Newport, KY (Cincinnati region)
 - Camden, NJ (Philadelphia region)
 - Vancouver, Canada
- Newport Aquarium and Camden Aquarium continuously listed in the USA Today Top 10 Best Aquariums by popular vote
- “Herschend is committed to its vision of Bringing Families Closer Together® and its mission of Creating Memories Worth Repeating® by producing wholesome, immersive family entertainment experiences. It is our preference to maintain and preserve the core values and operations of all our companies while infusing our culture of Leading with Love®.”

Alternative Partnership Models

Responders Site Visits

THE EXPLORATION: Sustainable Future

- The City has been on a deliberate path of evaluating how best to position the Virginia Aquarium to meet its mission while remaining realistic about the City's financial obligations, myriad of capital infrastructure needs, and taxpayer affordability.
 - Council has been requesting and leveraging quantitative and qualitative data to inform discussions.
- Status quo - unsustainable
 - Reduced scope \$50M - \$75M
 - Original \$200M - \$300M renovation and expansion
 - Alternative partnership model

Potential Path Forward	Considerations
Status quo: Continue Current Funding	<ul style="list-style-type: none"> • Continuation of ~\$7.4M subsidy • Major key assets are at end of useful life • Inevitable near-term need of emergency repairs and/or decommissioning exhibits • Concerns about condition of key assets and timeframe not addressed • Doesn't require establishing new partnership
Increase investment: Original Scope	<ul style="list-style-type: none"> • Requires CIP reductions, decision to not invest in other priorities, and/or increase revenue, \$20M - \$30M more in annual debt service (Foundation fundraising could decrease amount) • Projected increase in economic impact and increased visits • Addresses aging infrastructure while also providing new exhibits and features • Doesn't require establishing new partnership
Increase investment: Reduced Scope	<ul style="list-style-type: none"> • Requires CIP reductions, decision to not invest in other priorities, and/or increase revenue, \$5M - \$7.5M more in annual debt service (Foundation fundraising could decrease amount) • Doesn't completely address what happens to existing aging infrastructure • Doesn't require establishing new partnership
Alternative Partnership: RFP	<ul style="list-style-type: none"> • Structured deadlines and timelines, less flexible • Likely takes longer → may unfavorably impact operations, staffing, market interest • Commitments on paper to be acknowledged • Reduces taxpayer obligation for funding an asset where a proven private market exists • Requires establishing new partnership • Owners' Representative
Alternative Partnership: Competitive Direct Negotiations	<ul style="list-style-type: none"> • Opportunity for agile deadlines – could go faster or slower • Nimble allowing for engagement and understanding of stakeholders' priorities and interests • Reduces taxpayer obligation for funding an asset where a proven private market exists • Requires establishing new partnership • Owners' Representative

Council Discussion + Direction

For consideration: Continue pursuing alternative partnership model through competitive direct negotiations.

- Current subsidy + avoids \$5M - \$30M in additional annual debt service
- Most accredited aquariums and zoos not owned + operated by gov't
- Roads, flooding/stormwater, school buildings ranked as higher priorities → preserves debt capacity
- Reduces taxpayer obligation where a proven private market exists
- Successful transitions have occurred with private entities preserving stranding programs, research, and educational efforts
- Top accredited aquarium companies have expressed interest in partnering with Foundation and City

Alternatives to Consider

- Status quo - unsustainable
- Reduced scope \$50M - \$75M
- Original \$200M - \$300M renovation and expansion