



MEMORANDUM

To: David Ramsay, City Manager
From: Sheila Cloney, Special Project Coordinator
Date: October 12, 2006
Subject: Temporary Special Events – Cost Recovery

RECOMMENDATION:

Council review proposed policy regarding cost recovery for temporary special events for inclusion in an ordinance coming before Council at a future date.

BACKGROUND DISCUSSION:

Staff is drafting proposed revisions to the KMC section related to special events. Council requested a staff report and recommendation on special event cost recovery policies as part of the overall 2007-2008 budget.

The City code section regulating special events (KMC 19.24), is silent on cost recovery for special events. Given the increased number and scope of special events occurring in our community, we wanted to articulate cost recovery policies that will guide the development of fees and charges paid by event organizers. As with all fees for service, the City Council can base fees on a continuum of cost recovery objectives including recovery of all direct and indirect costs (full cost recovery) to charging no fee at all (fully subsidized or “tax supported”). Aside from pure financial considerations, the Council will consider all of the policy objectives met by a program. In the case of special events, the public benefits include economic benefits from increased tourism, community building and the ability to better control the impacts of events on the community at large. Market considerations are also a factor. Special events cost recovery policies should be developed in such a way as to attract and retain sustainable events that support community, tourism and economic development goals. The policy should also take into consideration the risk of raising fees to a point that it becomes cost prohibitive for non-profit organizations to hold events.

Currently, event organizers are charged a permit fee of either \$50 (parade or run) or \$100 and are billed for additional direct services as they are needed. This “a la carte” approach recognizes the unique needs of each event and only charges the event for services actually used.

Under the proposed cost recovery language the full range of costs associated with special events would be documented, however, only a portion would be recovered in consideration of the public benefits that accrue to the City. Attachment A is a summary of typical costs associated with small, medium and large events along with the recommended level of cost recovery for each type of cost. The actual costs are “fully

loaded” in that hourly staff rates are multiplied by a factor that takes into consideration wages, benefits and all overhead costs associated with the position (a factor of 2.04 is applied to hourly wage rates to derive a “fully loaded” hourly rate). The Recovered Costs reflect the recommended level of fees and cost recovery percentage proposed.

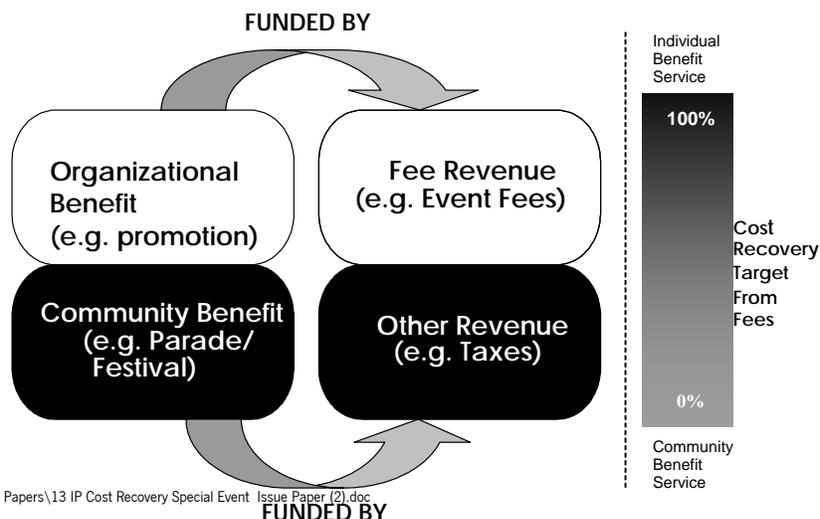
Staff recommends recovering a portion of total costs as follows:

- 1. A special event permit fee of \$160.00 should be charged** that is based on a portion of the average staff time it takes the Special Event Service Team and other department staff to review and process a special event application (see attachment 1);
- 2. Direct staff time and direct costs associated with “day of” event activities** (e.g. Parks and Public Works crew, equipment and materials) **should be charged based on the City’s direct costs only** (i.e. not fully loaded).

The following items would constitute the public benefit subsidy for the event and **would not be a recovered cost**:

- 1. Special Event Coordinator’s time** associated with planning the event and time spent the day of the event. The role of the Special Events Coordinator is to act as a liaison between the event organizer and the City departments that support or regulate the event. The Coordinator assures that all City departments are notified of an event and that their conditions are met by the event organizer. This role minimizes risk for the City and creates a more centralized venue for event organizers to access and understand City services needed for the event (e.g. traffic control, trash pick-up, etc).
- 2. Indirect staff time and overhead** that supports direct work including management, administration, and other internal support functions;
- 3. Park and Right of Way Use Fees**, which could be charged in association with operating on City-owned property.

This proposed pricing policy is generally consistent with the cost recovery policies of other departments such as Parks, which established a level of community benefit (to be funded by taxes) versus benefits accruing to the individual or organization putting on the event (to be funded by fees – see diagram below).



As noted earlier, the current practice is to charge a \$100 special events permit fee and then to apply an “a la carte” fee based on actual services rendered by the City for the event. In this case, the event organizer only pays for what they use. The table below reflects the average costs associated with producing a small, medium or large event in Kirkland. These examples show cost recovery rates that range from 47% - 61%.

	Actual Costs	Recovered Costs	Recovery Rate
Small Event			
Staff Time	\$1,070	\$160	15%
Other Direct	\$1,275	\$1,275	100%
Overall Recovery Rate			61%
Medium Event			
Staff Time	\$8,100	\$1,870	23%
Direct Costs	\$6,100	\$5,700	93%
Overall Recovery Rate			53%
Large Event			
Staff Time	\$17,900	\$4,115	22%
Direct Costs	\$11,695	\$10,895	93%
Overall Recovery Rate			47%

One option that staff considered was a graduated fee approach whereby a fixed permit fee would be established for small, medium and large events and that fee would cover all City costs. The drawback of this method is that event organizers may consider themselves to be small or medium events when they are actually large events from the perspective of City staff time and costs. Sometimes it is difficult to judge in advance which category an event will fall into. For this reason, staff proposes that the City continue the flat permit fee plus an “a la carte” method of billing. The City then recovers direct costs and “day of” staff time.

Staff proposes that the current permit fee be increased as shown below to better reflect current costs.

Current Permit Fees		Proposed Increase	
Special Event Permit	\$100	Proposal	\$160
Parade/Run/Walk	\$50	Proposal	\$110

In cases where only the public right of way will be impacted (e.g. neighborhood block parties) event organizers would pay a flat permit fee of \$50 which is consistent with current practice.

Staff proposes that special events related to commercial entertainment such as Teatro Zin Zanni and Cirque du Soleil be treated just like a business, subject to a business license fee, admission tax, and a cabaret license as applicable. Special event fees would also be applied as recommended above.

Attachment:
Cost Recovery spreadsheet

Attachment 1. Cost Recovery Worksheet

	Staff Hours	Direct Hourly Rate	Fully Loaded Hourly Rate	Expenses			Revenues	
				Staff Time Costs	Other Direct Costs	Total Costs	Recommended Fees	Recovery Rate
Small Event								
Service Team Review	4.25	\$33	\$67	\$426		\$426		
Other Department Staff	1.25	\$33	\$67	\$125		\$125		
Event Coordinator Planning	3.00	\$28	\$58	\$258		\$258		
Subtotal Permit Review Costs				\$810	\$0	\$810	\$160	19.7%
Event Coordinator - Day of Event	3.00	\$28	\$58	\$258		\$258	\$0	0.0%
Off-Duty Police					\$1,120	\$1,120	\$1,120	100.0%
Explorers					\$100	\$100	\$100	100.0%
Reader Board					\$30	\$30	\$30	100.0%
Publicity					\$28	\$28	\$28	100.0%
Total Small Event	11.50			\$1,069	\$1,278	\$2,347	\$1,438	61.3%

	Staff Hours	Direct Hourly Rate	Fully Loaded Hourly Rate	Expenses			Revenues	
				Staff Time Costs	Other Direct Costs	Total Costs	Recommended Fees	Recovery Rate
Medium Event								
Service Team Review	8.50	\$33	\$67	\$853		\$853		
Other Department Staff	1.50	\$33	\$67	\$150		\$150		
Event Coordinator Planning	16.00	\$28	\$58	\$1,378		\$1,378		
Subtotal Permit Review Costs				\$2,381	\$0	\$2,381	\$160	6.7%
Event Coordinator - Day of Event	6.00	\$28	\$58	\$517		\$517	\$0	0.0%
Off-Duty Police					\$4,907	\$4,907	\$4,907	100.0%
Public Works Truck Rental (2)					\$140	\$140	\$140	100.0%
Barricade Delivery and Pick-Up	2.00	\$21	\$43	\$128		\$128	\$42	32.9%
Banners - Hanging	16.00	\$22	\$44	\$1,054		\$1,054	\$347	32.9%
Public Works Crew Staffing of Event - Garbage	16.00	\$15	\$31	\$745		\$745	\$245	32.9%
Parks Crew Staffing - garbage and sanitation	70.00	\$15	\$31	\$3,192		\$3,192	\$1,050	32.9%
Parks Truck Rental					\$70	\$70	\$70	100.0%
Readerboard					\$30	\$30	\$30	100.0%
Electric Cart					\$50	\$50	\$50	100.0%
Fire Inspection					\$40	\$40	\$40	100.0%
Building Inspection					\$60	\$60	\$60	100.0%
Explorers					\$400	\$400	\$400	100.0%
ROW Use Fee					\$100	\$100	\$0	0.0%
Parks Use Fee					\$300	\$300	\$0	0.0%
Publicity - MMS	1.00	\$28	\$57	\$85		\$85	\$28	32.9%
TOTAL MEDIUM EVENT	137.00			\$8,102	\$6,097	\$14,199	\$7,569	53.3%

	Staff Hours	Direct Hourly Rate	Fully Loaded Hourly Rate	Expenses			Revenues	
				Staff Time Costs	Other Direct Costs	Total Costs	Recommended Fees	Recovery Rate
Large Event								
Service Team Review	12.50	\$33	\$67	\$1,254		\$1,254		
Other Department Staff	1.50	\$33	\$67	\$150		\$150		
Event Coordinator Planning	81.00	\$28	\$58	\$6,977		\$6,977		
Subtotal Permit Review Costs				\$8,381	\$0	\$8,381	\$160	1.9%
Event Coordinator - Day of Event	12.50	\$28	\$58	\$1,077		\$1,077	\$0	0.0%
Fire and Aid - Overtime (4 Firefighters and Truck)					\$1,170	\$1,170	\$1,170	100.0%
Water Inspection	1.50	\$33	\$68	\$152		\$152	\$50	32.9%
FOG Inspection	1.50	\$33	\$68	\$152		\$152	\$50	32.9%
Barricade Delivery and Pick-Up - 2 hours staff time	2.00	\$21	\$43	\$128		\$128	\$42	32.9%
Banners - Hanging	28.00	\$22	\$45	\$1,873		\$1,873	\$616	32.9%
Public Works Crew Staffing of Event - garbage	16.00	\$15	\$31	\$730		\$730	\$240	32.9%
Parks Crew Staffing - garbage and sanitation	114.00	\$15	\$31	\$5,198		\$5,198	\$1,710	32.9%
Publicity	1.00	\$28	\$57	\$85		\$85	\$28	32.9%
Multi-Media Services	1.00	\$20	\$41	\$61		\$61	\$20	32.9%
GIS Mapping	1.00	\$28	\$57	\$85		\$85	\$28	32.9%
Readerboard					\$30	\$30	\$30	100.0%
Off-Duty Police					\$7,520	\$7,520	\$7,520	100.0%
Public Works Truck Rental (2)					\$140	\$140	\$140	100.0%
Parks Truck Rental					\$70	\$70	\$70	100.0%
Electric Cart Rental					\$50	\$50	\$50	100.0%
Fire Inspection					\$50	\$50	\$50	100.0%
Building Inspection					\$65	\$65	\$65	100.0%
Explorers					\$500	\$500	\$500	100.0%
Marine Patrol - crew and boat 4 hours					\$1,200	\$1,200	\$1,200	100.0%
Caution tape, safety vests, small equipment					\$100	\$100	\$100	100.0%
ROW Use Fee					\$200	\$200	\$0	0.0%
Parks Use Fee					\$600	\$600	\$0	0.0%
TOTAL LARGE EVENT	273.50			\$17,921	\$11,695	\$29,616	\$13,839	46.7%