



# Memorandum

**TO:** Community and Economic Development Committee  
**FROM:** Kerry Adams Hapner  
**SUBJECT:** Special Event Services and Costs  
**DATE:** December 3, 2009

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Approved Paul Keith Date 12/4/09

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**Council District:** City-Wide

## RECOMMENDATION:

Accept staff's progress report and affirm Committee support for the direction staff is pursuing to reduce costs charged to outdoor special event producers and increase their revenue-generation capabilities.

## OUTCOME

The outcome of staff's review is to find ways to refine and revise City ordinances, fee resolutions, policies, and practices that may control costs to Event Organizers, with the goal of promoting outdoor special events that create cultural and economic vibrancy in the City of San Jose.

## BACKGROUND

In February 2009, as City staff was preparing for budget shortfalls and reductions in services, and as Event Organizers experienced declining City and foundation grant support, earned and contributed income, and sponsorships, seven Event Organizers who produce some of the largest outdoor special events in San Jose wrote a letter to the City Manager expressing concern over high, rising and uncertain City service and permit costs for the production of outdoor events.

Upon receipt of this letter, the City launched a series of meetings with Event Organizers and staff from relevant City Departments to identify:

- the service areas where costs have risen most, and why;
- current policies, agreements and practices that affect event costs; and
- potential changes to practices and policies that could help minimize costs and enable more revenue generation for Event Organizers.

Led by Office of Cultural Affairs (OCA)/Office of Economic Development (OED) staff, the meetings included Event Organizers and staff of the Police Department; Fire Department;

Department of Transportation (DOT); Parks, Recreation and Neighborhood Services (PRNS); and General Services. The conversations between staff and Event Organizers were productive and evolved into three distinct areas of interest: 1) controlling costs to Event Organizers; 2) City-imposed limitations on revenue generation opportunities; and 3) education on best practices for event production. To address each of these areas, OCA staff conducted follow-up meetings with Departmental and Budget Office staff to investigate possible adjustments to current City requirements, practices and policies.

Additionally, staff conducted presentations to the City Manager's Downtown Advisory Committee on August 26, 2009, and the Arts Commission on September 9. At its November 12, 2009 meeting, the Arts Commission unanimously affirmed its support for staff to pursue specific recommendations in the areas of event costs and revenue generation.

To research costs, best practices, and policies, the OCA and DOT are conducting surveys of comparable and neighboring cities including Los Angeles, San Francisco, San Diego, Campbell, Morgan Hill and Saratoga. Additionally, staff has reviewed the City Council-approved recommendations of the 1994 Special Events Task Force - an 18-member body representing Event Organizers, City departments, Parks and Recreation Commission, Arts Commission, and the community - which reviewed a broad range of issues including the cost of City services. These recommendations have guided the Outdoor Event Program for the last 15 years.

On October 26, 2009, Councilmembers Sam Liccardo and Nancy Pyle submitted a memorandum to the Rules Committee (attachment A) listing various proposals and recommending that City staff identify strategies and policy changes to reduce the burdens of City fees on nonprofits, neighborhood organizations and other sponsors of events, and present findings to the Community & Economic Development Committee (CEDC). The Rules Committee supported this recommendation; staff is exploring the feasibility of these proposals and will report back early next year.

## **ANALYSIS**

The parameters that set current practices for charging fees and other outdoor special event requirements include: Council Policy 5-2: Festivals, Parades and Celebrations; Labor Agreements; various provisions of the Municipal Code; Council-approved Event Guidelines; Departmental Guidelines and Regulations; and other requirements such as the National Fire Code.

From ongoing analysis, research, and Event Organizer feedback over the past eight months, City staff concluded that the general proposals listed below under Category 1, Cost Reduction, and Category 2, Revenue Generation, appear to be the most meaningful. All proposals require further investigation, refinement and coordination with the City Attorney's Office (CAO), Budget Office, Parks and Recreation Commission where applicable, and respective City Departments. Category 3, Best Practices, provides guidance to Event Organizers to cost effectively plan and produce events.

### ***Category 1. Cost Reduction***

- Investigate a Pilot Program to evaluate deployment of DOT's Parking, Traffic and Control Officers, in combination with traffic control devices, to maintain event street closures at select intersections, rather than solely using Police Officers, whose hourly rates are higher. Other cities use this model effectively.
- Review permit requirements for events on private and public property to allow for a more flexible approach and fee schedule (e.g., add a private property series permit); explore potential areas for deregulation on private and public property to address Event Organizer concerns and City staff reductions; and standardize the event coordination process for defined downtown venues often used for events (e.g., the SoFA area and San Pedro Square).
- Investigate ways to decrease Fire Inspector costs charged to Event Organizers. Due to the manner in which Fire Inspector costs are computed for full cost recovery, hourly Fire Department fees are significantly higher than fees charged by other City departments.

### ***Category 2. Revenue Generation***

- A small number of "gated" outdoor events occur on public property: the event is fenced and admission is charged, and the City collects 5% of gross admission revenues to fund Festival, Parade & Celebration (FPC) grants. For gated events held during 2009-10, 2010-11, and 2011-12, explore suspension of the City's 5% gate fee. The suspension would allow Event Organizers to retain all admission revenues, but would decrease FPC grant funding by approximately \$25,000 per year.
- Investigate the feasibility of increasing the \$15 maximum admission charge for gated outdoor events on public property (other than City Hall Plaza, which is not subject to the current \$15 limit). Should increased admission be charged, it could make public property events less affordable to the general public.
- Review outdoor event policies and guidelines, mainly in parks, to allow for more revenue-generating opportunities for Event Organizers (e.g., increase the number of vendor booths allowed in a park).

### ***Category 3. Best Practices***

City staff and Event Organizers have jointly created a guide entitled *Outdoor Event Cost Saving Planning Tips*. This guide includes practical event management techniques for conducting cost-effective events, such as the designation of Event Organizer staff to prepare vendors for Fire requirements in advance of an event, which could cut down on inspection fees. These types of best practices can collectively curb costs for an Event Organizer. The guide is available on the OCA website at [www.sanjoseculture.org](http://www.sanjoseculture.org).

### **EVALUATION AND FOLLOW-UP**

Before any specific changes in policy and practice can occur, a more in-depth review of each item must be conducted with the related Departments, the CAO, the Budget Office, and the Parks and Recreation Commission as required. Specific recommendations will then be finalized, to be approved at the appropriate level within the City.

Staff can provide progress reports to the CED Committee as appropriate.

### **POLICY ALTERNATIVES**

As no specific policy changes are recommended at this time, there are no policy alternatives.

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1: Requires Council action on the use of public funds equal to \$1 million or greater.
- Criterion 2: Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
- Criterion 3: Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.

This memorandum will be posted on the City's website for the December 14, 2009 CEDC meeting. This item was discussed at the September 9 and November 12, 2009 public meetings of the Arts Commission.

### **COORDINATION**

This memo has been coordinated with the Manager's Budget Office, CAO, DOT, Police Department, General Services, City Manager's Office, PRNS and Fire Department.

### **FISCAL/POLICY ALIGNMENT**

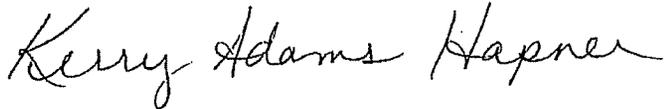
This project is consistent with the Economic Development Strategy's vision of San Jose as a unique creative and cultural center of Silicon Valley and as the world's most livable big city, with diverse and distinctive qualities of life.

**COST SUMMARY/IMPLICATIONS**

The identified areas of recommendation may have budget implications relative to City revenues, full cost recovery, and/or City service impacts. Any recommendations that impact the budget will be brought to Council for action.

**CEQA**

Not a Project.



KERRY ADAMS HAPNER  
Deputy Director, Cultural Affairs  
Office of Economic Development

For questions, please contact TAMMY TURNIPSEED, SPECIAL EVENTS DIRECTOR  
at (408) 277-5144, ext 22.

Attachment: November 4, 2009 Rules Committee Memorandum from Councilmembers Liccardo  
and Pyle on Reducing the Fee Burden on Organizations Hosting Festivals and Events



# Memorandum

TO: RULES COMMITTEE

FROM: Councilmember Sam Liccardo  
Councilmember Nancy Pyle

SUBJECT: **Reducing the Fee Burden on  
Organizations Hosting Festivals and  
Events**

DATE: October 26, 2009

APPROVED:

*Sam Liccardo* RH

*Nancy Pyle* 10/27/09

## RECOMMENDATION

Return to the Community and Economic Development Committee in November, or at the earliest opportunity thereafter, to identify strategies and policy changes to reduce the burdens of city fees on nonprofits, neighborhood organizations, and other sponsors of events.

## BACKGROUND

Festivals and events add vitality to our city, enliven and unify our neighborhoods, stir our collective pride, and help us to recognize what is unique about San José. Events also serve as crucial fundraisers—particularly in a time of declining donations, foundation grants, and government assistance—for our non-profit service and cultural organizations. They provide a sense of identity and community for neighborhoods and they often provide additional foot traffic for nearby restaurants and businesses. Those events produced by only six of downtown's established event producers bring more than 670,000 people to our core, provide \$22.5 million in economic impact, and generate more than 170 days of activity throughout the year. Particularly in times like these, we should make it as easy as possible to enable organizations to bring our residents and visitors together to celebrate, commemorate, and enjoy our wonderful city. They can also have more grass root impacts in neighborhoods by bringing residents together to activate neighborhood parks and streets.

Increasingly, we have heard concerns from non-profit leaders and event producers that the cost of city fees, shrinking city grants, and declining sponsorship revenue have made it difficult for organizations to continue to host events. Several events have been cancelled amid the 2009 downturn, and others might not return in 2010.

As fee-related complaints arise, the understaffed Office of Cultural Affairs (OCA) diligently and competently works to "negotiate down" requirements and fees with city departments such as Fire, Public Works, Parks, Police, and Transportation. Nonetheless, event producers often hear the message that city staff must abide by the fee schedules established in each year's budget, fees which are set in conformity with Council's policy of "full cost recovery".

The conversation should not end with the familiar refrain that relies upon "full cost recovery." It overlooks the fact that *many of these costs may not need to be incurred* in the first instance. While

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our deficit-plagued budget should not subsidize events, it seems fair to ask whether the costs we're imposing are truly necessary.

Just a few anecdotes that illustrate the unintended consequences of some city policies:

- The Wesley United Methodist hosted a summer festival on its own parking lot, without the use of any city streets, sidewalks, or property, and seemingly no involvement of city staff. Nonetheless, council policy required the church to pay an \$800 fee to the city for a permit.
- The America Festival cancelled its event in 2009 as a result of declining sponsorships and city funding, but the city fees in the event add considerably to the burden—and to the obstacles--of bringing the America Festival back to downtown on July 4th of 2010. For example, the Festival producer must pay tens of thousands of dollars for Police and DOT management of the thousands of fireworks-gazers who congregate on city streets outside of the event's gates, even though their presence brings no revenue to the producer. Most fireworks watchers who gather in the streets outside the event gates think the fireworks are a free, city sponsored event.
- For small, free events, city fees and charges can account for disproportionately high percentage of an event's budget. For example, South First Fridays Street Market and Starlight Cinemas report city service costs as nearly 40% of their budget. Neighborhood-supporting events, such as the Northside/ Backesto Park Flea Market, pay even higher proportions of their costs to the city.

These are just some of the hurdles that event producers face. Fortunately, OCA staff has already started exploring several opportunities to shave costs for events in 2010. We encourage them to push forward with their efforts, and urge Council to take action no later than February of 2010, when many event producers need to make decisions about summertime events.

Among the alternatives which the OCA staff—and we—should consider include:

### **Cost Control**

- For neighborhood events, allow fees to be waived where the organization's leader signs a commitment to have volunteers perform simple tasks—such as park cleanup—for which the City is charging a fee. If the volunteers fail to perform the task adequately, then the fee can be assessed retroactively for city cleanup.
- For nonprofit or neighborhood events held on private property requiring no or little city staff involvement, eliminate the fees.
- Review police deployment models of secondary employment at events to avoid excessive staffing and use other city staff where they can perform the same task for less (e.g. Department of Transportation parking and traffic control officers).

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- Eliminate minimum inspection durations where not mandated by union contracts, and engage with department heads to determine if inspections can occur during working hours to avoid overtime charges.
- Where liability-shifting provisions appear lawful and effective, minimize repeated city inspections of the same routine structures—such as tents—and merely incorporate an “assumption of liability” clause within the contract with the producer.
- Waive fees where no or negligible incremental cost arises to the City.
- Suspend the 5% gate fee for enclosing parks, such as at Cesar Chavez, so event producers can retain this revenue.

**Revenue Generation**

- Consider increasing the current \$15 limit on the ticket price events can charge for gated events.
- Revise policies and guidelines, mainly in our parks, to allow for more revenue generating opportunities for event organizers (e.g. increase the number of vendor booths allowed in a park, and increase the potential number of fenced parks for which admission can be charged).

**Park Use Regulation**

- Definitions associated with park use fees need review. For example, the definition of a “series” should be expanded so that events with a consistent schedule—even if not occurring on successive weeks—can benefit from a reduced “series” rate.
- Allow a larger window of time for post-event cleaning to occur, to permit a more flexible and cost-effective means of clean-up.
- Allow both for-profit and non-profit groups to activate public parks for events. Staff should examine a tiered pricing system, with consideration given to recognized neighborhood associations, and a preference for long-standing, recurring events.

We look forward to the results of the staff's efforts and encourage appropriate discussion with the Arts Commission and Parks Commission.