



U.S. Department
of Transportation

**Federal Highway
Administration**

**Planned Special Events:
Cost Management and Cost Recovery
Primer**

May 2009

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Introduction

This purpose of this primer is to aid jurisdictions and agencies, especially Departments of Transportation, with identifying and managing the costs of planned special events (PSEs) and forming policy for cost recovery. Cost management— the effective, overarching control of an organization’s finances— is a part of general management and creates accountability and transparency within the budget. Currently, in most cities the management of planned special events is fragmented across multiple agencies, and the costs and benefits of such events are not usually quantified or reported in any manner. The strategies and examples provided herein are meant to inform the reader on the basics of cost management and cost recovery, thereby facilitating more knowledgeable decision-making and encouraging further discussion among jurisdictions, agencies, and departments.

Organization

Chapter one discusses the current state of the practice of PSE management and profiles case studies from selected cities. Chapter two defines cost management and cost recovery. This chapter provides both an introduction to the basics of proper cost management and a discussion to aid jurisdictions in determining when cost recovery is appropriate. Chapter two also presents best practices in cost management and cost recovery. Chapter three contains information about tracking costs that is designed to aid departments in their implementation of the basic practices discussed in chapter two. Chapter four presents specific strategies that jurisdictions can employ to implement cost management and cost recovery. Chapter five provides an example to show jurisdictions and departments how to create a PSE line item in their budget. Chapter six discusses available sources of federal funding.

Fiscal impact of Planned Special Events

PSEs include sporting events, concerts, festivals, and conventions at permanent multi-use venues (*e.g.*, arenas, stadiums, racetracks, fairgrounds, amphitheaters, and convention centers). They also include public events at temporary venues such as parades, fireworks displays, bicycle races, sporting games, motorcycle rallies, seasonal festivals, and milestone celebrations.¹ PSEs involve substantial costs and generate substantial revenues to private industry and governmental entities. A recent FHWA study conducted by Jack Faucett Associates estimated there are 24,000 large-attendance events in the U.S. annually.² The report defined PSEs as events with more than 10,000 attendees. The study also found that direct in-event revenues are about \$40 billion annually in the U.S., but direct outside-of-event spending and secondary economic effects raise the total economic effect of large PSEs to \$164 billion dollars. Government revenue from these events is estimated to be approximately \$4 billion. The largest event category in terms of economic effect is professional team sports, at about \$60 billion.

¹ Managing Travel for Planned Special Events Handbook. FHWA, U.S. Department of Transportation, 2003.

² Skolnik, J., Chami, R., & Walker, M. (2008). Planned Special Events- Economic Role and Congestion Effects. Washington DC: U.S. Department of Transportation, FHWA.

The number of planned special events held annually around the nation is growing and this growth increases the strain on the budgets of many cities. Around the U.S., cities and towns are attempting to limit the effect of special events on public finances. The Portland Tribune recently published an article noting that in 2006, the traffic division of the Portland Police Department spent \$363,000 in overtime expenses alone for special events, out of which the department recovered only \$48,000. Recovering only a small percentage of expenses is a common occurrence, as special events are often held on evenings and weekends and personnel are frequently paid overtime. Many events, such as concerts and professional team sports, can be held only on evenings and weekends. Government agencies involved in planning and operations for planned special events frequently lack sufficient budgets to accommodate such large overtime expenses. However, with planning, normal duty hours can cover many elements of set up and day of event activities.

The effort to reduce public spending on PSEs while retaining their many benefits includes cost tracking and improved cost recovery methods, and has garnered public attention and media coverage. Some examples of how various jurisdictions have grappled with the problem are provided in Exhibit i.

Document Contents

The information provided in this document is intended to:

- Provide departments with background information on PSE management in the U.S. and highlight additional resources.
- Help departments take a comprehensive look at their use of resources.
- Help departments weigh the merits of whether to institute a cost recovery program and assess how far its reach should be.
- Help departments track costs specific to PSEs.
- Help departments engage in appropriate cost recovery by providing a range of possibilities for cost recovery strategies.
- Initiate discussion among agencies, departments, and planned special event partners regarding implementing cost management and determining cost recovery policy.

Exhibit i: Special Event Cost Recovery in the News

Naples, FL (*Naples News*)

August 12, 2008— The Community Services Advisory Board in Naples voted to increase special event fees and reduce assistance to non-profit organizations in order to improve the city's balance sheet. Following the vote the city anticipated increasing application and vendors' fees at the city's art fairs, concerts, road races, and parades, which would recover an additional \$56,000 per year. The board also voted to eliminate funding previously extended to non-profit organizations to pay a portion of the organizations' responsibility for police and fire services at events. Eliminating that program was estimated to save the city \$25,000 each year.¹

Solvang, CA (*Santa Maria Times*)

July 27, 2008— The Solvang City Council recently considered whether to charge event organizers directly for an array of city services provided at special events. These would include sheriff's services, City staff's time, and rent of traffic control devices. The sheriff's department already bills the City for additional services at special events, and this cost would be passed on to event organizers. Additionally, the City would account for staff time spent notifying residents of sidewalk and road closures and bill event organizers accordingly.²

Charlestown, RI (*The Providence Journal*)

July 2, 2008— City officials in Charlestown considered altering the fee structure for events at one of the city's parks from a flat rate of \$2,500 per day to a percentage of the event's gross revenue. The city hoped that the proposed fee structure would be more equitable to smaller events and would enable the Parks and Recreation Commission to raise more money to pay for improvements to the park. Regular event organizers complained that, despite paying roughly \$200,000 to the city during the previous decade, they have seen little improvement and have funded some improvements themselves. Event organizers were concerned not only about paying more, and how the money was spent, but were also wary of the city auditing their accounts for each event. At least two of the four major events held at the park each year were seeking a new venue at the time the article was published.³

Gettysburg, PA (*The Evening Sun*)

March 2, 2008— Gettysburg city officials considered pricing plans that would affect both annual and weekly events by charging vendors for the space they use. One example was a proposal to raise the rent for a parking space at the semi-annual antique show to \$1 per hour. The prospect of increased fees caused wine festival and antique show organizers, as well as farmers' market vendors, to threaten to find new venues. A critic of the plan noted that special events draw more patrons to the municipal parking garage and argued that policy makers should not ignore that effect on the city's finances.⁴

Tulsa, OK (*The Journal Record*)

March 7, 2007— The Tulsa City Council discussed an increase of 38%, from \$36 to \$50 per hour officer-hour, for police services at special events as part of their effort to distribute costs to event organizers. The original cost reflected the police department's calculations of average cost per officer at the overtime rate; a system that had been in effect since 1993. The proposed fee was a more comprehensive cost calculation that included the cost of fuel for police vehicles used at events. The increased fee drew concern over its potential effect on events sponsored by non-profits and charities.⁵

Sources:

¹Buzzacco, J. (2008, August 12). Naples may increase revenue by raising fees for special events. Retrieved August 15, 2008, from [naplesnews.com: http://www.naplesnews.com/news/2008/aug/12/naples-city-council-look-revising-special-events](http://www.naplesnews.com/news/2008/aug/12/naples-city-council-look-revising-special-events)

²Times Staff. (2008, July 27). Solvang may hike fees for special events. Retrieved August 8, 2008, from MSNBC: <http://www.msnbc.msn.com/id/25881400>

³Armental, M. (2008, July 2). Ninigret event planners, panel members joust on fee hikes. Retrieved August 15, 2008, from Rhode Island News: http://www.projo.com/news/content/SC_CHARLESTON_PARKS_AND_RECREAT_07-02-08_VJA_v53.403ee18.html

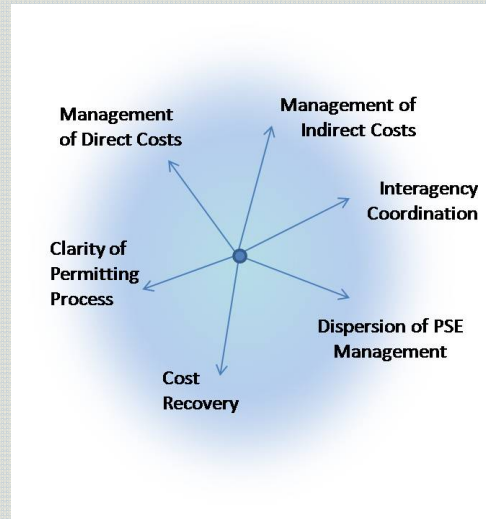
⁴James, E. (2008, March 2). Event-fee hike could end up costing downtown Gettysburg. Retrieved August 20, 2008, from Evening Sun: http://www.eveningsun.com/ci_8425910?source=most_viewed

Chapter 1: The Current State of the Practice

Many aspects comprise sound planned special event (PSE) management. These aspects include management of direct and indirect costs, clarity of permitting process, and interagency coordination, as depicted in Exhibit 1.1.³ Because PSE management is often highly fragmented, for most jurisdictions a high level in one category does not correlate with a high level in another category. Each aspect is generally independent from the others and can be thought of as a separate dimension of PSE management, as Exhibit 1.1 reflects. Cities must consider all of these dimensions in evaluating their current PSE management plan.

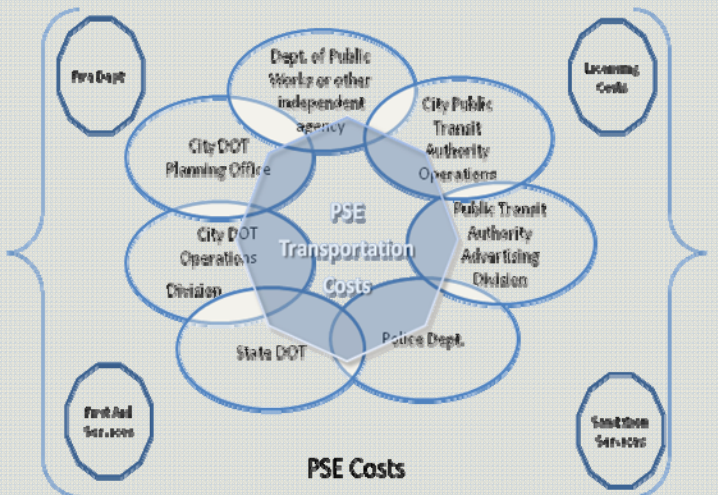
One of the difficulties with cost management and recovery for planned special events is that the costs incurred in permitting, planning, and operations for each event are split among multiple departments and even divisions within departments. An example of

Exhibit 1.1: Dimensions of PSE Management



how costs typically may be split among departments is pictured in Exhibit 1.2. Several agencies, generally including the police, city department of transportation (DOT), and public transit authority, are responsible for different aspects of transportation management for events. Other departments are involved in PSE planning and operations, such as the fire department and licensing agency, but these are not involved in

Exhibit 1.2 Dispersion of PSE Costs



³ Cost recovery as well as direct and indirect costs appear in the glossary at the end of this handbook and are discussed in detail in Chapter 2.

transportation. This disaggregation can make assembling a single cost estimate for PSEs very difficult; yet the benefits of PSEs accrue to the city and its population as a whole in the form of greater economic activity, city revenue, and increased civic participation in the case of those events considered to be first amendment rights. Many cities may find that one department or agency is already implementing a comprehensive approach to PSE cost management, but that the practice is isolated and knowledge is not transferred among departments.

Interdepartmental discussion and knowledge transfer, therefore, may be a good place to begin implementation of cost management and cost recovery. Looking at the practices of other cities of similar size is also beneficial. PSE management is challenging because it is often split across multiple departments and PSEs often cross jurisdictional lines. Large planned special events cross jurisdictional bounds between state, city, and county and accrue regional, rather than jurisdictional, benefits. State authorities may have different incentives than authorities in

The disaggregation of PSE management can make assembling a single cost estimate for PSEs very difficult; yet the benefits of PSEs accrue to the city and its population as a whole in the form of greater economic activity and city revenue.

individual cities, which are often willing to absorb the costs in exchange for greater name recognition and a positive change for city residents.

Cost recovery will be most comprehensive when instituted as a collaborative, focused effort among relevant departments and jurisdictions. However, this holistic approach must conform to practical considerations as well. Implementation of sound cost recovery practices at the level of large departments in a city may be much easier to achieve than a city-wide cost recovery effort. Different departments – such as the Mayor’s Office, the City Council, and the DOT – may all have different viewpoints and their own concerns to address. Cost recovery for events often is a

political issue. City council members must address their constituents' concerns about the effect of events, and there can be considerable public support for both small events, such as farmer’s markets, and large events that help to define the city, such as professional sports teams. Public opposition to certain direct charges (for example, ticket fees and taxes) can be strong. Each governmental office has its own mission and concerns, so agreeing on a city-wide policy or the amount of a line item can be difficult. These may be surmounted through an effort to build consensus and focus on the need to work toward a common goal.

Previous Studies

A previous research study conducted in 2006 examined the management of costs for planned special events.⁴ The author conducted a scan of cities that included Baltimore, Boston, Los Angeles, New York, Philadelphia, Phoenix and Seattle. The methodology included a review of

⁴ Managing Costs for Planned Special Events, Paper for the 2nd National Conference on Managing Travel for Planned Special Events, Prepared by David Kuehn, FHWA, Draft revised November 27, 2006.

public material, policies, fee schedules and conversations with agency personnel. Exhibit I.3 summarizes the results of the study.

Exhibit 1.3: Summary of Peer Cities Cost Management for Special Events

City	Budget Line Item	Cost Estimates	Cost Recovery and/or Cost Management
Baltimore	No	Generally	Cost Recovery is case-by-case for personnel & equipment; The city makes an effort to minimize overtime
Boston	No	Sometimes	The city recovers lost parking meter revenue; The city makes an effort to minimize overtime
Los Angeles	Yes	Yes	Cost recovery is estimated at approximately five percent; Special Operations Division reviews, approves & monitors PSE costs
New York	No	No	Occasional cost recovery
Philadelphia	No	PD lead on costs	Occasional cost recovery
Phoenix	No	Yes	Most costs are recovered
Seattle	No	Yes	Most costs are recovered

Adapted from: Managing Costs for Planned Special Events, Paper for the 2nd National Conference on Managing Travel for Planned Special Events, Prepared by David Kuehn, FHWA, Draft revised November 27, 2006, p. 7.

The study concluded that the Los Angeles Department of Transportation is the “gold standard” for cost management. The Department has a Special Traffic Operations Division with nine positions dedicated to special events, full authority for the planning and operations of special events, routine procedures for different event scenarios, and a well-trained cadre of traffic control officers with experience deploying procedures in the field. Los Angeles also has considerable experience with “on-the-fly adaptations” to the traffic system to relieve or lessen congestion. The Division develops cost estimates for events then reviews and approves actual costs after the event. However, the Department recovers very little, less than five percent according to the Division Chief, of the costs from event organizers.

The study reported that Los Angeles appeared to be the only city with a separate budget line item for special events. In 2005, the Council approved a \$2.7 million budget, which they increased to \$4.1 million at the mid-year budget review to cover Department costs for special events. The author noted, “Providing cost information to the council and mayor, though, does lead to a political desire for cost recovery.”⁵ The paper asserted that two cities that are most aggressive at recovering costs are Phoenix and Seattle. In both cities, this is a relatively recent policy and both cities have reviewed past costs to set fee schedules. Still, in both cities, the Departments do not recover costs for some types of events including City-sponsored events and first amendment demonstrations and marches. The author also discovered information on how

⁵ Managing Costs for Planned Special Events, Paper for the 2nd National Conference on Managing Travel for Planned Special Events, Prepared by David Kuehn, FHWA, Draft revised November 27, 2006, p. 7.

peer cities manage and minimize the costs of supporting special events. New York and Philadelphia rely more on the police department to plan for and manage special events. Having workers on a shift schedule allows cities to perform more of the duties associated with special events while personnel are on their normal tours of duty. A large department staff can also be helpful. The author found that Baltimore, which has close to 700 positions in their Maintenance Division, provides enough depth to staff larger events without disrupting regularly scheduled activities.

Case Studies

Study staff contacted a large number of cities and other jurisdictions as part of the development of this primer. The purpose of these contacts was to develop information on the current state of the practice for cost management and cost recovery for planned special events.

Exhibit 1.2 summarizes cost management and cost recovery activities for five large cities, all with populations greater than 500,000. In general, these cities engage in some cost tracking activities, require permits for special events, and require some reimbursement for services. There is less similarity across cities in terms of DOT involvement in planning, whether permits are issued on a flat or variable rate, the existence of a traffic specific fee and whether traffic mitigation plans are developed by government or by event sponsors.

Exhibit 1.4: Cost Management and Cost Recovery Activities for Selected Large Cities

City	Cost Tracking Methods In Use	DOT Involvement In PSE planning	PSE Permit Required	PSE Permit Flat Fee or Variable Fee	City Reimbursement for Services	Traffic-Specific Fee	Traffic Mitigation Plan Developed Privately
Baltimore	Yes	Yes	Yes	Variable	Yes	Yes	No
Los Angeles	Yes	Yes	Yes	Variable	For self promotional activities	Reimbursement basis	Not usually; but city contracts developed individually
Philadelphia	Yes	No DOT	Yes	Flat	Yes	Yes	No
Phoenix	Yes	No DOT	Yes	None for Application, variable for city parks	Yes	No	Yes
Washington, DC	Yes	Yes	Yes	Flat	Yes	Yes	Yes

The following sections provide case studies for a selection of jurisdictions. These case studies describe how these jurisdictions manage plan special events and their methods of cost management and cost recovery. The case studies included in this section are:

- Washington D.C
- Phoenix, AZ
- Los Angeles, CA
- Ithaca, NY

Washington, D.C.

The Mayor’s Special Events Task Group (MSETG) coordinates the city’s planning efforts for special events and is responsible for providing an interagency review and assessment of the operational, public safety, and logistical components of special event proposals. The MSETG is composed of membership from District of Columbia government agencies, Federal government agencies, and private sector emergency service organizations. Event proposals must be submitted in writing (a minimum of 120 days prior to the event) and then presented in person (a minimum of 90 days prior to the event) to the MSETG. The concurrence of the task group is required prior to the issuance of permits or licenses by the permit-granting agencies.

The First Amendment to the United States Constitution protects activities such as assemblies organized for public address, protest, and the exercise of worship or religion. These activities do not require the approval of the MSETG. The Special Operations Division of the Metropolitan Police Department handles these types of events.

Events such as parades, walks, runs, bike rides, require both approval from the MSETG and an additional permit from the Special Operations Division of the Metropolitan Police Department.

The requirements of the Metropolitan Police Department for the issuance of parade permits include route approval, with a Traffic Control Plan from the District Department of

Exhibit 1.5: D.C. Mayor’s Special Events Task Group Member Agencies

- Homeland Security and Emergency Management Agency
- Metropolitan Police Department
- Department of Fire and Emergency Medical Services
- Department of Public Works
- Department of Transportation
- Department of Consumer and Regulatory Affairs
- Department of Health
- Department of Parks and Recreation
- Department of Human Services
- Department of Corrections
- Department of Employment Services
- Department of Housing and Community Development
- Office of Contracting and Procurement
- Executive Office of the Mayor
- Office of the Attorney General
- Office of Tax and Revenue
- Commission on the Arts and Humanities
- Office of Motion Pictures and Television
- D.C. Sports and Entertainment Commission
- Washington Convention Center
- Washington Convention and Tourism Corporation
- Washington Metropolitan Area Transit Authority
- Federal City REACT
- National Park Service
- U.S. Park Police
- Federal Protective Service
- FBI Joint Terrorism Task Force
- U.S. Supreme Court
- U.S. Capitol Police
- National Gallery of the Arts
- Smithsonian Institute
- Alcoholic Beverage Regulation Administration
- Serve DC

Transportation (DDOT). The police department develops the Traffic Control Plan. The police department does not charge for such planning (although they do charge for officers during the event--see rate in Exhibit 1.6). Costs incurred in developing a Traffic Control Plan include driving through the route to ascertain traffic needs. No cost tracking efforts are in effect.

Where street closures are required, the Metropolitan Police Department requires that all event organizers completely barricade roadways with barriers capable of stopping an oncoming vehicle (*e.g.*, water-filled barriers). The event organizer is fully responsible for renting, insuring, transporting, installing, and removing the barriers.

Organizers of events requiring street closures are also required to submit a traffic control plan to the Department of Transportation that conforms to the Manual on Uniform Traffic Control Devices (MUTCD). The Department of Transportation will then determine whether the event organizer is responsible for the acquisition, installation and maintenance of traffic control devices. The event organizer must remove all traffic control devices within two hours following completion of the special event.

Large events involving many buses require active liaison efforts with the police department and the Washington Metropolitan Area Transit Authority to ensure that adequate parking areas, bus identification, and drop-off/pick-up points are well planned and coordinated. These liaison efforts may also involve the need for re-routing of Metro buses or supplementation of Metrorail service to facilitate certain events. The newly enacted Federal Charter Service Rule improves upon several aspects of the old law. In particular, the new rule includes several exemptions under which public transit agencies may provide charter services for special events. When doing so, the transit authorities must follow reporting requirements outlined by the rule. For a complete list of exemptions and requirements see http://www.fta.dot.gov/laws/leg_reg_8391.html.

Neighborhood block parties require a Neighborhood Block Party Temporary Street Closing Permit from the Homeland Security and Emergency Management Agency and are subject to different rules and regulations than those listed above. Approval is required from the Department of Transportation, Department of Fire and EMS, Metropolitan Police Department, and Washington Metropolitan Area Transit Authority.

All sponsors of special events, regardless of non-profit status, are required to pay District of Columbia taxes on items sold. Tax-exempt organizations are not required to pay income taxes, but are required to pay all sales taxes. The Office of Tax and Revenue and the Department of Consumer and Regulatory Affairs cooperate in providing registration services.

The City of Washington, D.C. posts rates for most of the services associated with special events and clearly states that event organizers are responsible for "the costs of services, as determined by the agencies, incurred by the city for administering the special event." The rates, listed in Exhibit 1.6, are to be paid in full by event organizers fifteen business days prior to the event. Such transparency leads to greater ease of planning for event organizers and shows that the city is attempting cost recovery and maintaining communication with each department. This type of information is not readily available in many cities.

Exhibit 1.6: Reimbursement Rates for Washington, D.C. City Services

Department of Consumer and Regulatory Affairs

- A special event conducted for profit on public space is subject to payment of the Special Events License, \$205 per day.
- Sanitarians, building inspectors, electrical inspectors, plumbing inspectors, and alcoholic beverage control investigators, health food inspectors, and special event inspectors are billed at a rate of \$43.17 per employee, per hour, for a minimum of 4 hours.

Department of Transportation

- Installation and removal of flags from city street light poles, \$32.75 per person, per hour.
- Installing temporary “No Parking” signs, \$27.61 per person, per hour.

Department of Public Works

- Space cleaning and trash removal, \$27 per person, per hour.
- Transfer station disposal cost (when warranted), \$726.00 per event.
- Disposable trash bags, \$0.35 per bag.

Metropolitan Police Department

- Police services are billed at a rate of \$55.71 per officer, per hour, for a minimum of four hours.

Department of Fire and Emergency Medical Services

- Over-the-Counter Permit Fee, \$100– to cover the review, research and limited on-site inspection for an over-the-counter permit.
- On-Site Permit Fee, \$60 per Inspector, per hour – to cover the time required to perform an inspection of the site and/or the activities or equipment in use during the event that needs to be inspected.
- On-Site Monitoring Fee, \$60 per Inspector, per hour – to monitor the special event to ensure the safety of the public.
- One Advanced Life Support Unit (includes two EMS providers and one supervisor), \$190 per hour for a minimum of four hours.
- EMS bicycle teams and EMS ambulance carts (includes two EMS providers, and either two bicycles or one cart,) \$120 per hour.
- Use of Fire Truck, four to five firefighters and equipment for parades, festivals, and other special events, \$400 per hour for a minimum of 4 hours.

Department Of Health/Emergency Health and Medical Services Administration

- Advanced Medical Aid Station: total first hour cost \$502.00, additional hourly cost \$102.00.
- Basic Medical Aid Station: total first hour cost \$211.00, additional hourly cost \$61.00.
- If the event requires more than four Medical Aid Stations, for either type of Aid Station, a supervisor from the Office of Emergency Health and Medical Services (OEHMS) will be required. An EHMSA Supervisor is billed at \$38.00 per hour.

Source: Mayor’s Special Events Task Group, “Your Guide to Planning a Special Event in Washington, D.C.” (2007 Revised Edition)

Conclusions

The District appears to recover a large majority of their expenses and has made an effort to unify the application and planning process. The District has one agency with the authority to oversee all aspects of special event planning and provides detailed cost structures for many of the direct services associated with special events.

Although DDOT is a part of the Mayor's Special Events Task Group, multiple departments and offices within DDOT coordinate different efforts and initiatives associated with special events. Not all of these departments are in close contact with the MSETG. While the city charges rather comprehensively for direct services, such as police traffic control during an event, many costs are being quietly absorbed behind those services that are listed. For example, traffic control during a parade would be the responsibility of event organizers, but there is no charge for the development of a traffic control plan for that same event. However, in some cases the city does require event organizers to submit a traffic control plan themselves.

It is difficult to determine the extent of costs that remain unaccounted as they are spread between multiple agencies and among departments within those agencies. While departments which have a history of charging for their services are surprised by the notion of not being reimbursed, staff in similar roles at other departments view their contributions as part of the department's mission and are surprised at the idea of asking for reimbursement.

Phoenix, AZ

The City of Phoenix Parks and Recreation Department handles special event applications, regardless of whether the event will be held on park property. However, public assemblies do not require applications and are coordinated by the Phoenix Police Community and Patrol Services. The City of Phoenix requires the applicant to be responsible for almost all issues associated with the event. Applicants must provide, at their own expense, services that include the following:

- Neighborhood notification
- Additional trash receptacles and clean up following the event. The city will bill event organizers for any sanitation services.
- Appropriate security and medical response, as deemed necessary by the City. Off-duty police officers are available for approximately \$50 an hour.
- A parking/shuttle plan and detailed Traffic Control Plan from a professional barricade company for any events involving street closures. This plan must then be approved by the Street Transportation Department.

Phoenix's Steele Indian School Park, a city park, handles many large special events (events attracting more than 10,000 people) per year. The City's fees for personnel charged to special event organizers have recently risen from about \$15/hour to \$40/hour for set-up, event, and tear-down staff and \$51/hr. for maintenance staff. This change was made when the City realized that employees were mainly called upon to work during holidays and evenings, when they

receive overtime pay (time and a half). The prior fees fell extremely short of the true cost to the department.

Steele Indian School Park collects three fees, each calculated separately, from event organizers. The park charges a user fee that is dependent upon the section(s) of the park in which the event will be held. And whether the sponsoring organization is a commercial enterprise, a private entity, or a non-profit organization (the fess schedule is on a sliding scale). There is an additional charge per staff hour, with staffing needs being determined by the park. The park also requires a security deposit, ranging from \$500 for an expected attendance of 300 participants to \$2,000 for an expected attendance of 5,000 or more.

Costs incurred in connection with the licensing process for activities such as liquor sales and mechanical rides/games are tracked and the associated fees set to achieve full cost recovery. The city's licensing department implements this cost recovery system and has carefully tracked staff time, overhead, and all costs associated with regulatory licensing. An application is followed through its "lifespan" with attention to who handles the application, the handlers' pay-scale, how many hours of labor are required, and additional external costs that exist. Costs are updated annually. No special software or training is required for this tracking process, which would likely require the efforts of one employee for a few weeks each year.

Conclusions

Virtually all special events fall under the jurisdiction of the Phoenix Department of Parks and Recreation, which does not charge for the permit itself but does charge for almost all direct city services associated with the event. Despite the uniformity in creating one governing body for all events, event organizers still need additional permits and services for requirements including but not limited to emergency medical services, police services, sanitation services, food/beverage services, and tent/canopy permits. Each department involved with these services sets its own fees, and these fees are not published or made available by the Department of Parks and Recreation, which does not act as a coordinating agency.

The City of Phoenix has set a clear objective of full cost recovery for PSEs. While many departments have internalized this advice and charge for the use of all direct services, cost tracking efforts are not part of the normal procedure. Several departments are still undercharging or are unaware of the difference between their true costs and the prices they set. Most city officials do not seem to know who would be in charge of cost tracking and where such efforts do occur, there is no system in place to assure unit costs are regularly updated. In spite of these shortcomings, the city's comprehensive billing system likely results in the recovery of the majority of expenses.

Los Angeles, CA

Approvals for special events come from different agencies within the city: the Los Angeles Department of Building and Safety (LADBS), the Department of Public Works (DPW), and the Los Angeles Police Department (LAPD). The appropriate governing body is determined by the type of event, as outlined in Exhibit 1.5.

The Los Angeles Department of Transportation (LADOT) receives notifications from the three approval bodies and conducts preliminary screenings to determine the appropriate level of transportation response. LADOT is responsible for preparing and implementing special traffic management plans to regulate excess traffic and mitigate the effect of street closures for special events. These activities may include posting temporary parking restrictions at the event location or preparing a detailed Special Event Traffic Management Plan. Notifications of large upcoming special events and accompanying street closures are posted on the Department of Transportation's Automated Traffic Surveillance and Control website.

Those events falling under the jurisdiction of LADBS are required to be inspected and approved by the department prior to holding the event. Applicants must file applications and pay fees at least two days before the event, and inspections are conducted prior to event. The fee is \$130 for tents up to 5,000 square feet, with an additional fee for large tents of \$130 for each additional 5,000 square feet. An additional fee is imposed for off-hour inspections made after 3:30 p.m. and before 7:00 a.m., or on declared city holidays. There is also systems fee of 6 percent on all permits.

Prior to obtaining approval from a LADBS field inspector, a safety plan showing the layout of the event is required to be approved by the Los Angeles Fire Department. The approved safety plan must be made available to the Department of Building and Safety inspector at the time of the site inspection. Events that exceed five days, or do not qualify as Temporary Special Events, such as the change of use of a building or Christmas tree and pumpkin lot sales, require a building permit from LADBS. Dances require specialized Dance Permits from the LAPD, which are processed by the Office of Finance.

The LADBS application for a special event permit makes little mention of additional required permits or fees and contains no information regarding responsibility for traffic or parking plans or payment for police services.

Exhibit 1.7: Agency Responsible for Issuance of Special Event Permits for the City of Los Angeles and Types of Events/Activities/Equipment Covered by Agency

Los Angeles Department of Building and Safety (LADBS)*

- Tents or canopies, larger than 450 sq ft on residential property or larger than 12 feet in length or width on a commercial property.
- Stages or platforms more than 30 inches above grade.
- Structures higher than 30 inches, intended for live loads, require engineering approval or an approved standard plan on file with LADBS prior to inspection.
- Grandstands or bleachers.
- Structures higher than 12 feet.
- Temporary change of use (parking lot sales or use of building for special purpose).
- Temporary auto sales require sign off by plan check and inspector prior to permit issuance.
- Temporary generators and electrical wiring require an electrical permit.

Bureau of Street Services (DPW)

- Block parties
- Celebrations
- Street fairs
- Charitable events
- Ceremonies
- Closures for political purposes
- Marathons
- 5k or 10k runs
- Walk-a-thons
- Bike races
- Community events

Special Events Planning Unit (LAPD)

- Parades
- Processions
- Planned demonstrations or marches

*Must have maximum duration of 5 Days to qualify as Temporary Special Events

Permits for events involving street closures are issued by either the Department of Public Works, Bureau of Street Services, Street Services Investigation and Enforcement Division, Street Closure/Special Event Unit or the Los Angeles Police Department, Emergency Operations Section, Special Events Planning Unit (SEPU).

The permit fee for those events falling under the jurisdiction of the Bureau of Street Services and requiring street closure is \$312. There is no fee if the event occurs on a city sidewalk, although a permit is still required. A fee of \$216 is charged for events that include temporary selling activities. It is possible to both apply for and check the status of an application online. The Bureau inspects the area after each event and bills for any required cleaning. In the case of large events, a refundable cash deposit may be required to assure proper cleaning after the event. The city does charge for police officers to control traffic during the event. Event organizers also are required to install and maintain barricades with flashers during the entire period of the street closure. These may be rented from the city free of charge. However, the applicant is charged for damaged or lost equipment.

Prior to processing a request for any street closure or event, the Street Services Investigation and Enforcement Division notifies a number of agencies of the time, place, location and nature of the event. These agencies include, but are not limited to the appropriate Council Office, Los Angeles Fire Department, Los Angeles Police Department, Los Angeles Department of Transportation and the Metropolitan Transit Authority (MTA). In the event that a protest of the closure is received from one or more of these agencies, the request for closure will be scheduled for a public hearing before the Board of Public Works.

For those events requiring a permit from SEPU, a statement from the Los Angeles Department of Transportation of the estimated traffic control costs is required. However, this requirement is waived for non-commercial events.

Conclusions

The City of Los Angeles tracks all costs associated with planned special events, including planning and operations costs. A project number is assigned to each event, and staff time (including overtime and overhead) as well as equipment costs are tracked. Many large event organizers, rather than applying to one of the three agencies involved in planning, address the City Council and contract with them directly for event support. The City Council often waives reimbursement in these cases. Many permanent venues, such as Dodger Stadium, the Los Angeles Coliseum, Staples Center, the Hollywood Bowl, and the Greek Theatre have contracts with the city that do not require them to reimburse the city for any traffic management costs. The city does require some reimbursement for movie premieres.

While the DOT has a line item for overtime, which includes emergency response, it does not have a line item for planned special events.⁶ The cost of planned special events to the city as a whole is more than \$10 million annually. However, this analysis of fiscal impact does not consider the economic and social benefit the city receives from these events. Most

⁶ Managing Costs for Planned Special Events, Paper for the 2nd National Conference on Managing Travel for Planned Special Events, Prepared by David Kuehn, FHWA, Draft revised November 27, 2006.

departments simply absorb the costs by leaving vacant positions unfilled and delaying planned equipment purchases. The DOT does try to trim costs where possible and engages in resource management. Strategies include shortening routes or creating routes that loop and holding events on days that do not conflict with other events in the nearby area to lessen congestion and expense.

Sometimes departments conflict in their goals. For example, the DOT focuses on trimming costs, while other departments feel that publicity for the city is important. The DOT generally begins planning events only after the City Council has waived fees and approved the event's time, date, and location, which makes resource management very difficult. Approximately half of PSE transportation costs come from permanent venues.

Cost recovery activities in the City of Los Angeles appear to be minimal. While some flat permit fees are relatively high and may cover some of the costs associated with processing the application, notification that the applicant is responsible for the reimbursement of city activities during PSE facilitation is largely absent from the information provided to event organizers by all three departments responsible for permit issuance.

Ithaca, NY

Ithaca has a centralized application process for large events. Events requiring three or more permits (Noise, Assembly or Parade, Street Closure, Use of a Park or Public Property, Alcohol, or Vending) are handled by the City Clerk's Office and must be received at least one month prior to the event. Upon receipt of an application, the city assigns a liaison to be a single point of contact and guide applicants through the process. The city forwards copies of the application to all involved departments for review and approval. It also informs applicants if any additional information, permits, licenses, or certificates are required. The Ithaca Police Department, Fire Department, Office of the Mayor, Office of the City Clerk, Department of Parks and Recreation and occasionally the Deputy Director of Economic Development all meet for events requiring three or more permits.

The Ithaca Department of Public Works does most of the traffic planning for special events, as Ithaca does not have a city DOT. Events necessitating street closures may be required to obtain traffic safety equipment, such as barricades, traffic cones, sign, and parking meter bags, from the Department of Public Works and may be required to place the equipment. Event organizers are also responsible for posting advisory and/or directional signage if the event affects a major-use roadway. If sufficient parking is not available, the event organizer may be required to submit a shuttle plan. Event organizers are also required to submit a plan for all concessionaires, including security, fire lane and fire code compliances, evacuation plans in case of an emergency, and trash and grease clean up and disposal.

The city has a general philosophy that special events are a positive contribution to the community and therefore does not currently charge event organizers for its services. However, there has been some interest in increased cost recovery, and recently the city made its first attempt to recoup a small part of their expenses through a special events parking fee. Parking in city garages, usually free on evenings and weekends, is now \$3 per day during special events.

At this time, the city does not have an estimate of the amount of revenue generated through special events, though they are believed to generate economic activity and tax revenue. Each department associated with special event planning and operations tracks its costs; however, for the most part only direct costs, such as personnel hours, are included in this calculation. The city frequently requires event organizers to hire private security to supplement police presence, rent port-a-johns, and secure first aid services such as an ambulance to remain stationed at the event for its duration.

As with many other cities, Ithaca also requires that vendors specify the City of Ithaca as the origin of sales and obtain a New York State Sales Tax Certificate. Ithaca requires event organizers to keep all such certificates on file for inspection and review by the city. This ensures that the city receives tax revenue associated with sales.

Conclusions

The City of Ithaca, New York, is a noteworthy example of PSE organization. The special event permit application is very clear about what constitutes a special event: Any event occurring within the City of Ithaca that requires three or more of the following permits is subject to the provisions of a Special Event Permit: Noise, Assembly or Parade, Street Closures, Use of a Park or Public Property, Alcohol, Vending. All permit applications are required to be completed and submitted to the City Clerk's Office.

The organization of the permitting system allows smaller or simpler events to avoid the process of a special event application while at the same time allowing for greater coordination of very large events. The guide is very specific about what additional permits, such as for large tents, are required and always provides appropriate contact information. The application is also very clear about what items event organizers will be responsible for and encourages communication with city staff on a variety of issues, rather than simply requiring permits. For example, under "Crowd, Control, and Security" the application states: "Event organizers are required to provide a safe and secure environment for their event. This is accomplished through sound preplanning by anticipating potential problems and concerns. The size, type, time of day, and location of the event, as well as the overall activities, are all areas that need to be analyzed in depth. Events having the potential to draw a large crowd are of particular concern, and should be discussed with the City event planning staff. Some events will require the services of a professional licensed security company."

One challenge with city-level PSE handbooks in general is that they are often complicated and difficult for first-time event organizers to understand. By contrast, the Ithaca handbook provides general guidelines to assist new event holders.⁷ For example, the handbook notes, "The City of Ithaca recommends one toilet for every one thousand people. This figure is based upon the maximum number of anticipated attendees at your event during peak time. In cases where portable toilet facilities are required, at least 10% of the total toilets shall meet accessibility guidelines for people with disabilities. The total number of toilets required will be determined on a case-by-case basis." The City of Ithaca has proven that the process of providing guidance on planned special events can be both simple and comprehensive.

⁷ The handbook is available on the city's website, <http://www.ci.ithaca.ny.us>.

Chapter 2: Basic Principles of Cost Management and Recovery

Cost management is the effective, overarching control of an organization's finances across multiple stages (add citation). Such financial control is only possible with a comprehensive understanding of an organization's service provisions:

1. What services are provided?
2. Who benefits from these services?
3. What is the cost to the organization of providing these services?

Cost management is an organizational responsibility and an integral element of general management; good management implies good cost management. Cost management may include a policy of full cost recovery, partial cost recovery, or none at all. Whether or not an organization engages in cost recovery for a particular service is dependent upon many considerations, including the organization's mission, its traditional role, its legal responsibilities, and whether the service benefits the entire community.

Cost Management

Cost management allows us to view the cost-benefit relationship of various activities, setting the stage for more informed decisions. Cost management generally begins with an initial planning of costs, continues through cost tracking and analysis of the information collected, and includes evaluations and decisions based on information from the previous stages. There is no set blueprint for a cost management system, and these stages may be organized differently to meet different organizational needs.

The four distinct stages described above are depicted in Exhibit 2.1. All of the stages are interdependent and decisions in any stage will affect the system as a whole. The system is a closed loop, so the last stage leads back to the first stage. The four stages are:

Exhibit 2.1 A Cost Management System



Cost Planning: Includes activities such as cost estimating, forecasting, and budgeting.

Cost Tracking: Includes discrete coding of activities and their associated costs, such as personnel time sheets, expense accumulation, and the use of financial systems.

Cost Analysis: Includes reporting on actual costs incurred and an analysis of these costs.

Evaluation and Decision: Includes evaluation of the costs with process changes implemented as necessary, regular consideration of shifting funding sources and options, assessment of current asset management and resource utilization, and decision-making regarding cost recovery.

The Elements of a Cost Management System

Cost estimating, forecasting, and budgeting are a part of **cost planning**. Cost planning is the projection of future costs. **Cost tracking** is backward-looking: it is accounting for what has already occurred. Cost tracking refers to following the cost of various activities through the cost management system and is accomplished through the use of discrete coding of activities and their associated costs. "Discrete coding" refers to tracking time and expenses related to specific activities. It includes methods such as time collection (the use of personnel time sheets) and expense accumulation. This type of data collection associates costs and activities for the various services being performed, enabling accurate analysis and optimal decision-making. While every stage of the cost management system is important, cost tracking is one of the most critical

While different cost management systems may include different components, the indispensable element is an overall understanding of the interrelationship between activities and costs as well as the ability to manage these cost relationships to an organization's advantage.

stages, because weaknesses in data collection will have the most detrimental effect on the other stages. Inaccurate data will lead to poor decisions and poor planning.

The **analysis stage** considers individual costs and related activities, while the **decision stage** evaluates the entire cost management system and provides an opportunity to make appropriate changes and institutionalize best practices. This comprehensive evaluation offers an opportunity to improve the system as a whole.

Evaluation and process changes (if necessary)

should occur after every major event. Research conducted by the Federal Highway Administration in 2006 found that while some dialogue did occur following large special events, there was rarely a formal review process in place: "Even agencies that regularly conduct an after action assessment after major events do not use them as a source of reference for programmatic improvements." The author of that research noted that "after action assessment is critical for effective cost management. It also is important when justifying costs and revenues and demonstrating the value of a department's services to customers and the public."¹

Asset management is central to the idea of cost management and includes the ability to show how, when, and why resources were committed. Through a comprehensive review of the entire portfolio of resources available, asset management leads to an improved understanding of how investment can effectively be used in achieving system-wide agency goals at optimal cost benefit. The Asset Management Primer published in December 1999 by the U.S. Department of Transportation, Federal Highway Administration's Office of Asset Management is an excellent resource for additional information about this topic.²

¹ Kuehn, D. (2006). Managing Costs for Planned Special Events. Prepared for the 2nd National Conference on Managing Travel for Planned Special Events. Federal Highway Administration.

² U.S. Department of Transportation, Federal Highway Administration, Office of Asset Management. (1999). *Asset Management Primer*. Available at: <http://www.fhwa.dot.gov/infrastructure/asstmgt/amprimer.pdf>

The related concept of **resource utilization** is especially applicable to planned special events, because many changes can be implemented with relative ease. The City of Seattle found several methods of reducing costs through optimal resource utilization. The city relocated fun runs from city streets to city parks and chose to use alternate or shorter routes for parades. Both of these changes significantly reduced the cost of DOT and police traffic and crowd control services, reducing Police Department overtime expenses by 40 percent over two years. The Seattle DOT further reduced overtime expenses by varying the setup and tear-down times for certain events to coincide with regular work hours and by requiring event organizers to provide the labor and materials for signage along roadways. These methods are detailed in a 2008 study from the City Auditor.³

Keeping a cost management system effective is an ongoing process that requires continuous review and improvement of each of the elements of the system. Similarly, a cost management policy can only be as effective as its reach: it must be disseminated throughout the organization. Cost management is therefore a part of everyone's job. Public officials need to understand what cost management means, what their role is in practicing cost management, and how to implement their organization's policies.

While different cost management systems may include different components, the indispensable element is an overall understanding of the interrelationship between activities and costs as well as the ability to manage these cost relationships to an organization's advantage.

Identifying Costs

Identification of costs is a critical element throughout the cost management process. Identifying costs begins with understanding some of the various types of costs, such as: fixed costs, variable costs, mixed costs, direct costs, and indirect costs.

Fixed costs are costs that typically do not change (in total) in response to changes in volume of activity. Examples include depreciation, supervisory salaries, and maintenance expenses.

Variable costs are costs that change (in total) in response to the changes in the volume of activity. It is generally assumed that the relationship between variable costs and activity is proportional. For example, if the volume of activity increases by 10%, then variable costs in total will rise by 10%. Examples include the consumption of direct labor, direct materials, and direct expenses. **Mixed costs** are costs that contain both a variable cost element and a fixed cost element. These costs are sometimes referred to as semi-variable costs. One example is a vehicle rental that is billed at a base rate plus a per-mile charge. **Direct costs** are costs that easily can be linked to a specific service, activity, or department. **Indirect costs** are costs that cannot easily be linked to a single specific service, activity, or department.

Costs can also be broken down among labor, material, and overhead, each of which may be either a direct or indirect cost as well as a fixed, variable, or mixed cost. Labor, material, and direct overhead costs account for the majority of costs in many organizations. These costs are

³ Office of City Auditor, City of Seattle . (2008). *Seattle's Special Events Permitting Process: Successes and Opportunities*. Available at: <http://www.seattle.gov/audit/docs/Special%20Events%20Report%20FINAL1-31-08.pdf>

often easily traceable to specific activities and provide reasonably accurate cost information for cost management systems.

The allocation of indirect overhead is often more complex, since overhead costs can be used by many activities and costs can be driven by the sub-activities that support many final activities. For example, the cost of maintaining traffic barriers (painting, storing, etc.) is not directly related to a specific event. Maintenance costs are incurred regardless of whether or not the barriers are used in any specific event, and in fact the barriers themselves may be utilized for other activities, such as normal traffic control. The cost associated with this maintenance should be allocated against all barriers as an overhead allocation in such a fashion as to ensure that all users receive their fair and equitable share of the cost of this activity. Thus the first allocation would be to assign the cost of maintenance of the barriers and then allocate the cost of the barriers to the event using them. If, as an example, the barriers were required to be painted a specific color for a specific event, then the cost of painting them and consequently repainting them to their original color would appropriately be a cost of the special event requesting them and not part of the general allocation of maintenance costs.

Since the potential for cost recovery is an important element of cost management, it is helpful to follow a consistent and reliable approach which will ensure maximum cost recoverability. The U.S. Office of Management and Budget Circular A-87 establishes clear standards for distinguishing between various types of costs.⁴ While these principles are designed for use with federal awards (such as grants or cost reimbursement contracts), they can be incorporated into any cost management system. Adopting the principles of Circular A-87 will create a uniform cost management approach that is useful in all instances of cost recovery, since recoverability under this thorough approach will recover costs under almost any circumstance.

The circular defines **direct costs** as “those that can be identified specifically with a particular final **cost objective**” and provides the following examples of direct costs:

1. Compensation of employees for the time identified and devoted specifically to the performance of those awards.
2. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
3. Equipment and other approved capital expenditures.
4. Travel expenses incurred specifically to carry out the award.

⁴ U.S. Office of Management and Budget. (2004). *Circular A-87*. Available at: http://www.whitehouse.gov/omb/circulars/a087/a87_2004.html

5. Minor items. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.

Circular A-87 defines **indirect costs** as “those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved... [It] applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities.” Examples of typical indirect costs that can be assigned to planned special events include certain central service costs of the organization, such as personal computers, accounting and personnel services, purchasing services, depreciation or use allowances on buildings and equipment, and the costs of maintaining facilities and equipment. The allocation of these indirect costs on a pro rata basis to all activities performed within the grantee department will provide for a more reasonable and equitable costing of the planned special event.

Establishing a number of pools of indirect costs within a department may facilitate equitable distribution of indirect expenses. These indirect **cost pools** are distributed to benefited cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

Understanding the **cost driver**, the key activity that drives the cost, is necessary for both cost management and cost recovery purposes. The cost driver is the activity that has the greatest correlation with actual cost. It is the best indicator of cost, although it most likely will not account for the total cost of a service. For example, for a street closure requiring the placement of barriers, the cost driver may be the number of miles along which barriers need to be placed, the number of personnel needed to install the barriers, the number of barriers used, or another related activity.

Since a cost management system derives its information from the overall financial accounting system, the maintenance of a highly reliable, accurate, and timely financial accounting system is important. The financial accounting system should be easily understood, well maintained, and documented. Properly trained personnel who understand and adhere to the requirement for discrete coding of activities and costs will help ensure the integrity of the process. Practicing such a continuous improvement approach will not only keep the cost management system effective, but will require considerably less effort than large-scale but less frequent updates.

Exhibit 2.2

One best practice for allocating indirect costs is the concept of **activity-based costing**. In activity-based costing, resources consumed are allocated to the relevant cost objective based upon the activities being performed.

Here is a simple, step-by-step approach to applying the activity-based costing concept:

1. Identify the activities being performed.
2. Form cost pools of the costs associated with those activities.
3. Identify the cost drivers.
4. Relate the cost of those activities to the planned special events that are consuming those activities.

Cost Recovery

Cost recovery activities are optional: an organization may choose to absorb all costs associated with planned special events. However, regardless of the extent to which an organization engages in cost recovery, it is beneficial for each organization to have a well-defined cost recovery policy. Having such a policy will facilitate financial control, ensure an equitable fee structure, and distinguish an organization's core programs and services from additional offerings.⁵

Some departments may consider it part of their mission to provide special event services to the general public at no charge. Other departments may not wish to achieve 100 percent cost recovery. Cost recovery decisions begin with a mission statement that provides a clear definition of a department's organizational values and purpose.

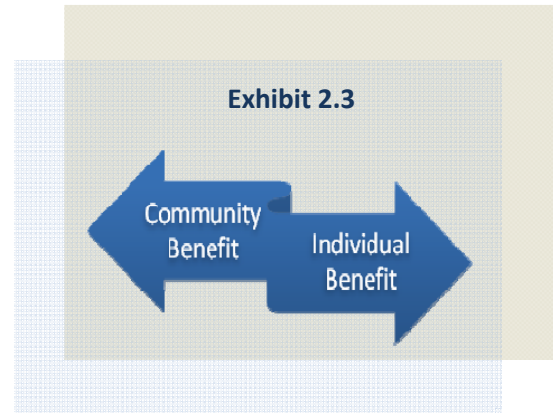
Cost recovery decisions begin with a mission statement that provides a clear definition of a department's organizational values and purpose.

Deciding What Costs to Recover

There are many issues to consider when determining what percentage of expenses should be recovered. One consideration is whether the services provided for the special event will benefit the community as a whole or provide individual benefit to a small or specialized group.

The distribution of benefits from a public service can be viewed as a continuum stretching in two directions, as pictured in Exhibit 2.3.

In general, the organization may choose not to recover costs for activities that are seen as benefiting the community as a whole and fulfilling the organization's mission. These services and programs may "increase property values, provide safety, address social needs, and enhance quality of life for residents" (Greenplay LLC, 2003). These are usually covered by taxes—they benefit the entire community and therefore the entire community pays for them. For events of this nature, a minimal fee, rather than partial or full cost recovery, may be appropriate. Those activities that are considered highly individual are those which fall outside the core mission and may be priced to recover full cost plus a designated profit percentage.



⁵ The ideas regarding cost recovery and individual vs. community benefit contained herein were developed by Greenplay LLC and are copyright 2003. Their report, "Cost Recovery Pyramid Methodology" is available at www.GreenPlayLLC.com. Information in this section specifically relevant to planned special events is, however, the sole work of the author(s).

In deciding a level of cost recovery, the organization may also wish to consider to whom they provide services and whether this constituency targets certain populations, such as children and families, local residents, county residents, regional residents, or non residents of the community. Additional questions to consider include:

1. What is the effect of the event on the resources generally offered by the organization? What is the effect to others? Events may be classified as Low Effect to Resources or Other People, High Effect to Resources or Other People, or Exceed Dept/Personnel Capacity.
2. Is it the organization's role to provide such services? Are such services legally mandated? The answer to this can range from a legal obligation to provide (such as to comply with ADA legislation), something the organization is traditionally expected to do, something the organization chooses to undertake because there is no other way to provide it, or something the organization should consider not providing as it is already being provided.
3. Does the event provide marketing opportunities for the department or a chance to highlight the department's work and the ways in which it serves the community?
4. Is cost recovery politically palatable? Some decisions may be based in part on politics, with the department having little input.⁶

In considering the appropriateness of cost recovery, a few special considerations pertaining to planned special events should be thought through:

1. Treatment of events relating to free speech and the right of freedom to assemble
2. Treatment of events held by non-profit organizations
3. Treatment of events held by small organizations
4. Indirect benefits and increased city revenue

For demonstrations and other time-sensitive assemblies that may occur in response to current events, a permitting process that requires applications to be submitted far in advance would not be appropriate. Departments must consider how to facilitate ease and speed in the permitting process for such events. Departments also may not wish to cost recover for these events, as that could cause an equity concern and limit the right of freedom to assemble for groups that may not be able to afford the fees.

Events held by small organizations lacking funding pose a similar equity dilemma. However, good cost management can mitigate this issue as cost recovery will reflect the small share of resources used, and small groups will likely be able to afford the amount of resources they have used. Departments may nonetheless wish to waive or reduce fees based on the organization's budget or operating expenses and ability to pay applicable fees. Historically, many departments waive or reduce fees for events organized by non-profit groups. These events may bring the city positive publicity or help a certain segment of the city population.

⁶ The ideas regarding cost recovery and 'additional questions to consider' were developed by Greenplay LLC and are copyright 2003. Their report, "Cost Recovery Pyramid Methodology" is available at www.GreenPlayLLC.com. Information in this section specifically relevant to planned special events is, however, the sole work of the author(s).

Departments may choose not to engage in cost recovery if indirect benefits associated with the event are realized. The city often benefits from large events due to positive publicity and revenue from consumer demand associated with the event: taxes on merchandise, tickets, and hotel rooms. These events provide a draw for area residents and may make the city a more attractive place to live and work. In fact, cities often compete to stage large events. Charging full price for such events may cause events to relocate or scale-down, and thus may not be an appropriate choice for the city.

The basic principles for engaging in successful, equitable cost recovery efforts are summarized in Exhibit 2.4. These important best practices suggest the need to: implement cost recovery only where it is cost-effective, employ activity-based costing whenever it is appropriate, and conduct frequent process reviews.

Exhibit 2.4 Cost Recovery Best Practices

- Apply cost recovery only when it is consistent with government policy objectives.
- Apply cost recovery only where it is cost-effective.
- Do not recover costs for activities specifically funded by other sources, as that would be considered recovering twice for the same service.
- Be aware of additional funding sources, such as private and government grant opportunities, as well as what activities may qualify for federal reimbursement.
- Clearly identify cost recovery revenues through discrete coding. These recoveries should not be netted against the organization's expenses.
- Cost recovery is based on the provision of services and should ideally be imposed under a fee-for-service arrangement. In some cases, a simple levy is also an option and may be the most cost-effective.
- Within the fee-for-service arrangement, certain events will require certain resources; charge only for those services used for that event, rather than imposing an average cost. This is the implementation of activity-based costing and ensures that the people who benefit are the ones who pay.
- Make event organizers aware of what the approximate charges will be and provide them with sufficient information regarding payment.
- Organizations should review cost recovery activities annually. A review is necessary because funding sources may have changed, new funding opportunities may be available, the organization may have new objectives, administration methods may have changed, the cost of certain goods/services may have increased, or any number of other changes may have occurred that would require adjustment.

Conclusion

Good cost management is an integral part of good management and an organizational and individual responsibility. Cost management is an ongoing and interrelated process that requires frequent review to continue functioning successfully. Organizations should develop cost recovery policies, but may choose when and if to engage in cost recovery activities.

Chapter 3: Tracking Planned Special Event Costs

The purpose of this chapter is to provide guidance to departments or jurisdictions in tracking costs for planned special events. As discussed in Chapter 2, cost tracking is critical to the process of cost management, as all subsequent decisions will be based on information gathered during this phase. Unless a department or jurisdiction has an accurate estimate of the costs incurred for each type of activity for special events, they will be unable to forecast future expenditures and also will be unable to critically examine the benefits and costs of hosting events.

Developing Event and Activity Codes

Cost tracking involves both event and activity codes. The first step is to develop a code for each event, so that the hours and equipment costs can be associated with a specific event. This can be done when a permit is requested. A set of codes should then be developed for each activity. Each cost that is incurred is assigned both an event and an activity code.

Managing Travel for Planned Special Events communicates new and proven institutional and high-level operational techniques and strategies for achieving a coordinated, proactive approach to managing travel for all planned special events in a region, in addition to facilitating successful and cost-effective management of specific planned special events.

The assignment of activity codes is somewhat more complex, as it is important to accurately capture the costs associated with each activity for the large number of potential activities. This level of detail will allow for the planning, forecasting and management of individual costs. The process of developing activity codes starts with determining the activities that need to be performed throughout the entire process, from planning all the way to the post-event review. Two references, the handbook ***Managing Travel for Planned Special Events***,¹ and ***Planned Special Events: Checklists for Practitioners***,² are useful resources, as they provide listings of all the travel-related activities of staging a planned special event.

Planned Special Events: Checklists for Practitioners consists of six checklists on event-specific planning for planned special event travel management. It provides common, sequential steps for plans and activities that practitioners may use for most significant planned special events, regardless of the event or area type.

¹ Federal Highway Administration. (2003). *Managing Travel for Planned Special Events*. Retrieved from http://ops.fhwa.dot.gov/program_areas/sp-events-mgmt/handbook/index.htm

² Federal Highway Administration. (2006). *Planned Special Events: Checklists for Practitioners*. Retrieved from <http://ops.fhwa.dot.gov/publications/psechecklists/index.htm>

It is important to determine activities in advance to provide a road map to be used throughout each event. The activities list can remain flexible, but it should be understood that changes that are made will affect the ability to track changes in the number of units used per event and their costs across events and from year to year. Once the activities are determined, a distinct cost code can be assigned to each of the activities. This cost code allows tracking of the specific tasks undertaken and costs incurred as part of each planned special event. A sample breakdown of planned special event activities is provided in Exhibit 3.1. The task list presented is representative and can be amended to meet a locality's (or event's) specific needs. The activities undertaken by each jurisdiction differ, and this task list can be modified according to the needs of each. The key to efficient cost-tracking is the preparation of this list as a first step, rather than as events progress.

Exhibit 3.1 Task List

Activity #	Category	Activity
1	Pre-Planning	Create Task List and Assign Distinct Cost Codes
2	Planning	Review operations strategies and resource allocations from previous event occurrences
3		Prepare contingency plans and emergency access routes
4		Assess on-going or planned construction activities and their effects on the event
5		Determine stakeholders involved in event as well as performance goals and objectives
6		Determine internal and external Measures of Effectiveness for event
7	Feasibility	Determine the event traffic generation, modal split and traffic arrival and departure rates
8		Determine origins, travel times and distances traveled for event patrons
9		Determine parking spaces required for event and locate parking lots and access routes
10		Assign all event traffic to the roadway network and perform capacity analysis to determine deficiencies
11	Traffic Management	Determine freeways, arterials, and local routes that require additional capacity
12		Assign all traffic to parking lots and determine parking lot access and circulation
13		Determine pedestrian routing from all sources (lots, mass transit, etc.) including disabled accessibility
14		Determine techniques to be used to increase freeway capacity
15		Determine techniques to be used to increase street-level capacity
16		Determine techniques to increase transit service usage, including costs of additional service
17		Develop travel demand management techniques and HOV Incentives
18		Determine alternate routes and appropriate treatments
19		Develop Incident Management operations (planning, coordination, and implementation)
20	Traveler Information	Determine devices and strategies to disseminate information
21	Implementation	Determine quantity of equipment needed (barrels, signs, etc.) as well as communication devices
22		Determine quantity of personnel needed (paid as well as volunteer)
23		Conduct table-top exercises and field exercises
24	Day-of-Event	Assign primary and/or secondary command posts and staff for each
25		Develop briefing schedule, location and staff needed
26		Conduct data collection, surveillance, and performance measures during event operations
27		Note real-time changes made and cost effects during event
28	Post Event	Schedule field personnel debriefing locations, time and staff
29		Prepare event patron survey and analysis
30		Prepare Post Event Report
31		Prepare operational cost analysis and assessment for future events

In order to facilitate the tracking of costs in an efficient and accurate manner, the planning team should coordinate the development and assignment of cost codes with financial staff. The use of these codes by those involved in the planned special event will allow for the capture and consequent tracking of all costs associated with the various activities of the planned special event. Departments may develop their own cost codes and financial accounting system if there is no existing system, as long as all costs are summed when estimating city-wide expenses. It

should also be clear whether each department’s expenses include overhead and staff time involved in handling applications and planning, as these activities may be dealt with differently across departments. Discussion between members of the planning team, from State and local transportation officials to law enforcement, may assist with tracking costs consistently across departments and jurisdictions. Such information-sharing may also benefit those departments that are unsure how to implement cost-tracking. Financial staff should be involved in the process to ensure that costs are collected in accordance with overall financial system protocols governing direct costs and overhead items.

Collecting Direct and Indirect Costs

Financial systems generally classify costs into direct and indirect costs. Direct costs can be specifically identified and assigned to a particular cost objective, which in this case is a specific special event. Indirect costs are incurred for common purposes and either cannot be assigned to a specific cost objective or can be assigned only at an effort disproportionate to the results achieved.

The distinction between **direct** and **indirect** costs is important, as a department need only assign event and activity codes to direct costs. Indirect costs will be pooled in the financial accounting system and there may be multiple indirect cost pools, each of which will be distributed according to a different formula.

Direct costs for planned special events will generally consist of *direct labor, equipment, materials and purchased services*. The collection of costs for each of these components is described in the following subsections.

Direct Labor Costs

Direct labor costs for each individual are found by multiplying the hours charged to an event by the individual’s labor rate. The sum of this calculation across all workers charging hours to a particular event provides total direct labor costs.

Typically, workers fill out a timesheet in which they charge their hours to distinct projects or activities. Hours may be differentiated between regular and overtime hours, with the latter reflecting a higher rate.

Exhibit 3.2 Example of a DOT Timecard Entry Data Sheet

Project	Task	Time Codes	Sun 05-Jun	Mon 06-Jun	Tue 07-Jun	Wed 08-Jun	Thu 09-Jun	Fri 10-Jun	Sat 11-Jun	Total
1 Maintenance	HQ Labor Ch	R - Regular Time-Straight Time		7.00	7.00	7.00	7.00			28.00
2 Maintenance	Administrator	V - Vacation Leave						7.00		7.00

Source: http://www.dot.ri.gov/humanresources/forms/FMS_Timecard_Manual.pdf

An example of an employee timesheet data entry form from the Rhode Island Financial Management System Timecard Entry User Manual is provided in Exhibit 3.2. Note that employees assign hours to both projects (events) and tasks (activities).

Equipment Costs

Managing special events will often require the use of equipment such as trucks and other vehicles, barricades, signs, variable message signs, flashing arrow sign units, and temporary lights. Since equipment typically has a lifetime of many years and is used for multiple events or purposes, only a portion of the costs of these items is assigned to a particular event. Typically, the costs of an individual item are depreciated (see Exhibit 3.3) to derive an annual cost. This annual cost is then converted to a per-day, per-hour, or per-week charge based on average annual usage for that type of equipment. The individual event will pay for the piece of equipment based on the per-unit rate and the amount of usage.

Exhibit 3.3

The Concept of Depreciation

“The established accounting technique of 'depreciation' can be used to convert capital outlays into annual costs. Depreciation is a method of allocating the costs of capital outlays over the useful life of the resource acquired. A simple 'straight-line' method of depreciation may be used to calculate costs of depreciation by dividing the acquisition cost of the resource by the number of years for which the resource is expected to provide services. For example, a collection truck that costs \$150,000 and has a useful life of 10 years would have an annual depreciation cost of one-tenth of its total capital cost, or \$15,000. Examples of costs that local governments should depreciate include the costs of equipment, vehicles, and structures owned by the local government... Local governments should recognize annually the cost of depreciation for all such assets until they are fully depreciated. No depreciation expense, however, should be recorded for assets that have remained in service after their estimated useful life has ended.”

Source: Florida Department of Environmental Protection, “Municipal Solid Waste Management Full Cost Accounting Workbook for Local Governments in Florida,” Prepared by: Tetra Tech EM Inc, Vienna, VA, June 30, 1997.

An example of an equipment price list--the short-term lease rates from the South Carolina State Fleet Management Motor Pool--is provided in Exhibit 3.4. Note that there is both a fixed (daily) and variable (per-mile) charge for each vehicle type.

Exhibit 3.4: Example of a State Motor Pool Lease Rate Table
Motor Pool (Short-Term) Lease Rates

Vehicle Type	Daily	+ Per Mile
Full-size Sedan	\$20	.17
Intermediate Sedan	\$17	.16
Compact Sedan	\$14	.15
Intermediate Station Wagon	\$17	.16
Compact Station Wagon	\$17	.15
Full-size Van	\$18	.21
Mini-Van	\$13	.17

Source: <http://www.ogs.state.sc.us/statefleet/SFM-lease-rates.phtm>

Materials and Purchased Services

Special events may require purchases of materials or services. For example, a particular special event may require extra security that is contracted to an outside vendor, such as a security firm. Since these purchases are made exclusively for a particular special event, they may be charged directly to that event. If an item is to be used for more than one event, it can be allocated to the events individually as long as it is allocated in a reasonable manner.

Indirect Costs

Once the direct costs of managing special events have been tabulated, these costs are augmented by indirect or overhead costs. Indirect costs are incurred for common purposes and either cannot be assigned to a specific cost objective or can be assigned, but only at an effort disproportionate to the results achieved. An example of an indirect cost is leave and fringe benefits for employees. These benefits include sick leave, annual leave, holiday leave, insurance, retirement, employer social security payments, etc.

An example of a labor-loading analysis for the Nevada Department of Transportation is provided in Exhibit 3.4. In the exhibit, totals are developed for direct labor costs as well as costs for leave and fringe benefits. The total cost for leave and fringe benefits is then divided by total direct labor costs to develop a ratio of 62.46 percent as shown at the bottom of the exhibit. Direct labor rates for individual personnel can be multiplied by this rate to estimate indirect costs. Other types of indirect costs can be developed and divided by some measure of direct costs for allocation purposes. For example, costs for overhead items such as offices or data processing can be added together and allocated based on number of employees, hours, labor costs or total direct costs.

Assigning Costs to Activities

Assigning direct and indirect costs to each event allows a department or jurisdiction to understand how the cost of managing these events affects their budgets. It provides data which affords the ability to weight costs against the benefits of the events to the community. However, to be able to manage and forecast costs, the collection of data by both event and activity is imperative. A list of potential activities is provided in Exhibit 3.1. These activities are divided into eight categories, including:

- Pre-Planning
- Planning
- Feasibility
- Traffic Management
- Traveler Information
- Implementation
- Day-of-Event
- Post Event

Note that the level of activity detail to be collected will depend upon the needs of the particular department or jurisdiction, sophistication of its financial management system, and the complexity of its events. Some may choose to collect data only at the level similar to the eight categories listed above, while others may collect data at a more detailed level, such as the 31 activities listed in Exhibit 3.1. The following subsections describe one of the activities from each of the eight categories. The purpose is to illustrate what these activities are comprised of and how direct costs can be assigned to them.

Exhibit 3.5: Example of Labor-Loading Analysis

Object and Description	Actual Costs	Fringe % ²	Loading ³
Direct Labor			
5100 Salaries	\$ 59,336,737		
5810 Overtime Pay (Non Holiday)	\$ 3,514,266		
5880 Shift Differential	\$ 53,903		
5901 Payroll Adjustments	\$ (2,780)		
5910 Standby Pay	\$ 25,056		
5940 Dangerous Duty	\$ 3,458		
5980 Call Back	\$ 204,418		
Total Direct Labor	\$ 63,135,057		
Leave Employer Costs			
5610 Sick Leave	\$ 3,459,132		\$ 3,459,132
5620 Annual Leave	\$ 4,686,250		4,686,250
5630 Holiday Leave	\$ 3,077,648		3,077,648
5640 Compensatory Leave	\$ 1,057,848		1,057,848
5650 Other Leave	\$ 225,065		225,065
5820 Holiday Pay-OT	\$ 175,015		175,015
5830 Compensatory Leave Payoff	\$ 286,883		286,883
5930 Longevity Pay	\$ 726,201		726,201
5960 Terminal Sick Leave	\$ 389,073		389,073
5970 Terminal Annual Leave	\$ 380,085		380,085
5975 YE Leave Payoff	\$ 36,483		36,483
Total Leave Costs	\$ 14,499,683		\$ 14,499,683
Total Labor (Direct and Leave)	\$ 77,634,740		
Fringe Costs			
5200 Industrial Insurance	\$ 3,444,271	4.44 %	\$ 643,279
5300 Retirement	\$ 11,217,954	14.45 %	2,095,155
5400 Personnel Assessment ⁴	\$ 760,749	0.00 %	-
5500 Group Insurance	\$ 9,244,652	11.91 %	1,726,605
5700 Payroll Assessment ⁴	\$ 272,606	0.00 %	-
5750 Retired Employee Insurance ⁴	\$ 1,339,737	0.00 %	-
5800 Unemployment	\$ 141,612	0.18 %	26,449
5840 Medicare	\$ 790,775	1.02 %	147,691
5841 Social Security	\$ 96,520	0.12 %	18,027
7170 Clothing/Tool Allowance ⁴	\$ 58,850	0.00 %	-
Total Fringe Cost	\$ 27,367,727		\$ 4,657,206
Total Leave, Fringe and Labor	\$ 105,002,467		\$ 19,156,889
Labor Loading Factor (Total Labor Load/Direct Labor)			30.34%
Labor Load for Fringe-Leave/Direct			
Total Direct Labor	\$ 63,135,057		
Total Leave Cost	\$ 14,499,683		
Total Fringe Cost	\$ 27,367,727		
Total Ineligible Fringe Cost ⁴	\$ (2,431,942)		
Total Leave and Eligible Fringe Cost	\$ 39,435,467		
Total Fringe and Leave Cost/Direct Cost	62.46%		

Pre-planning

The first step in tracking costs for planned special events is to determine the activities that need to be performed throughout the process (activity #1 from Exhibit 3.1). Since in our hypothetical community the DOT Traffic Engineering Division is the lead agency for planned special events, Senior Level staff in Traffic Engineering determined the appropriate activities and assigned a distinct cost code to each of the activities. Their selections were then reviewed by staff at other departments involved with planned special events. During this process, each of the individuals involved in this activity assigned the hours on their biweekly time sheet to the appropriate cost code for activity #1. The hours were then tabulated, and the hypothetical staff time breakdown for this activity is shown in Exhibit 3.6. In total, this activity required 50 hours at a direct cost of \$2,036.00. Since this is the first event for which our hypothetical community has used these activity cost codes, the cost of this activity will be lower for subsequent events and years, as this list will only require minor revisions. Having cost data for this individual activity will aid in developing future budgets.

Exhibit 3.6: Create Task List and Assign Distinct Cost Codes

Department	Level	Hours	Rate	Total
DOT Traffic Engineering (TE)	Senior Staff	6	\$55.00	\$330.00
	Mid-Level Staff	8	\$38.00	\$304.00
DOT Planning Department	Senior Staff	2	\$55.00	\$110.00
	Mid-Level Staff	4	\$38.00	\$152.00
Police	Senior Staff	2	\$57.00	\$114.00
	Mid-Level Staff	4	\$28.00	\$112.00
Office of Emergency Management (OEM)	Senior Staff	2	\$56.00	\$112.00
	Mid-Level Staff	4	\$39.00	\$156.00
Incident Command Center (ICM)	Senior Staff	2	\$52.00	\$104.00
	Mid-Level Staff	4	\$29.00	\$116.00
Traffic Control Center (TCC)	Senior Staff	2	\$50.00	\$100.00
	Mid-Level Staff	4	\$24.00	\$96.00
Transit	Senior Staff	2	\$59.00	\$118.00
	Mid-Level Staff	4	\$28.00	\$112.00
TOTAL				\$2,036.00

Planning

The Planning category is the development of contingency plans. The planning category develops scenarios in the event that day-of-event modifications to the traffic management plan are

needed. These are packaged into a plan that provides a selection of options for a range of potential unexpected occurrences or events.

Task #4, Assess Construction Activities and Effects, was chosen for illustrative purposes. This task requires meetings that include members of the DOT Construction Department, as well as the Design Department, to determine any road construction projects that are currently underway or are in the planning phases and are scheduled to be in place on the day of the event. A typical scenario would be to reschedule planned roadway construction and maintenance projects to accommodate known events. The breakdown of staff time for this activity is shown in Exhibit 3.7.

Exhibit 3.7: Assess On-going or Planned Construction Activities				
Department	Level	Hours	Rate	Total
DOT Traffic Engineering (TE)	Senior Staff	3	\$55.00	\$165.00
	Mid-Level Staff	14	\$38.00	\$532.00
DOT Planning Department	Senior Staff	4	\$55.00	\$220.00
	Mid-Level Staff	14	\$38.00	\$532.00
DOT Construction Management Division	Senior Staff	5	\$58.00	\$290.00
	Mid-Level Staff	18	\$39.00	\$702.00
DOT Design Division	Senior Staff	4	\$59.00	\$236.00
	Mid-Level Staff	12	\$40.00	\$480.00
Traffic Control Center (TCC)	Senior Staff	2	\$50.00	\$100.00
	Mid-Level Staff	8	\$24.00	\$192.00
Transit	Senior Staff	1	\$59.00	\$59.00
	Mid-Level Staff	4	\$28.00	\$112.00
TOTAL				\$3,620.00

Feasibility

The feasibility category enumerates steps and associated considerations for gauging the effect that one or more proposed special events may have on surface transportation operations in the vicinity of the venue and the region as a whole. The project team develops a feasibility study to determine if a planned special event will cause travel problems, where and when identified problems will occur, and the magnitude of each identified problem.

Activity #10, Traffic Assignment and Capacity Analysis, was chosen to illustrate the feasibility category. In this activity, staff members from the DOT’s Traffic Engineering and Planning Departments begin the process of assigning all event traffic to the roadway network and performing capacity analysis to determine roadway deficiencies. This is a labor-intensive task

involving an analysis of all of the data that was gathered in earlier activities as part of the planning phase.

A first step in this process might be to estimate event attendance. The second step would be to determine the percentage of event patrons who will use modes of travel other than the automobile and then to determine average automobile vehicle occupancies. This allows the number of vehicles arriving at the event to be calculated. A third step determines event patron origins and their arrival and departures rates. For example, for events that have a definite start and end time, most patrons will generally arrive within one hour of the beginning of the event and depart within a half hour of the end of the event. These three steps will provide estimates of automobile volumes by time.

Estimated volumes are then factored into the roadway network, and a capacity analysis is performed to determine whether there are any deficiencies in the roadway network. The breakdown of staff time for this portion of the project, tabulated from employee time sheets, is shown in Exhibit 3.8. Once the deficiencies are determined, roadway plans can be implemented to reduce congestion, manage travel demand, and insure safety.

Exhibit 3.8: Traffic Assignment and Capacity Analysis

Department	Level	Hours	Rate	Total
DOT Traffic Engineering (TE)	Senior Staff	5	\$55.00	\$275.00
	Mid-Level Staff	52	\$38.00	\$1,976.00
DOT Planning Department	Senior Staff	2	\$55.00	\$110.00
	Mid-Level Staff	39	\$38.00	\$1,482.00
TOTAL				\$3,843.00

Traffic Management

The traffic management category includes activities that analyze traffic, parking, and pedestrian management techniques to mitigate any and all anticipated problems on the day of the event. Operations strategies and resource applications are developed to mitigate potential congestion, but all operations tactics need to be examined in depth to ensure that one particular strategy does not defeat the objectives of another. A successful traffic management plan: (1) satisfies the customer requirements of all transportation system users, and (2) meets the allotted budget for personnel and equipment resources assigned to the day-of-event operation.

Activity #13, Determine Pedestrian Routing, was chosen to illustrate the traffic Management Category. Traffic Engineering and Planning staff will have to consider all types of parking, including on-site, off-site, disabled, reserved, participant, valet, media, employee, bus, recreational vehicle, taxi and limousine,

and emergency vehicle staging. After the parking types are determined, each type is assigned to the appropriate lot and then the internal parking lot layouts evaluated.

If the majority of patrons will arrive within an hour of the event, circulation of pedestrians and automobiles is critical. Vehicles will be arriving while pedestrians are walking from their cars, homes and public transit. The major design criterion is to minimize contact between pedestrian routing and vehicles entering the parking lots. This effort maximizes safety and efficiency. In addition to the internal parking lot layout, the design of the access drives to the lots needs to be analyzed and the appropriate traffic control, including police presence, should be determined. The breakdown of staff time for this portion of the project can be seen in Exhibit 3.9.

Exhibit 3.9: Determine Pedestrian Routing

Department	Level	Hours	Rate	Total
DOT Traffic Engineering (TE)	Senior Staff	6	\$55.00	\$330.00
	Mid-Level Staff	42	\$38.00	\$1,596.00
DOT Planning Department	Senior Staff	4	\$55.00	\$220.00
	Mid-Level Staff	39	\$38.00	\$1,482.00
Police	Senior Staff	2	\$57.00	\$114.00
	Mid-Level Staff	15	\$28.00	\$420.00
Transit	Senior Staff	3	\$59.00	\$177.00
	Mid-Level Staff	26	\$28.00	\$728.00
TOTAL				\$5,067.00

Implementation

The implementation portion of managing travel for planned special events includes testing and training activities, as well as the development and deployment of a traffic management plan. Implementation activities are a transitional phase between planning and operations. These activities improve the efficiency of traffic management plan deployment and increase traffic management team preparedness. The implementation phase of the project uses the data and analysis from all of the other phases to determine what will be needed to ensure safe and efficient traffic and pedestrian flow throughout the event, including any contingency plans.

Exhibit 3.10: Equipment Cost

Code	Equipment	Quantity	Unit	Cost Per Unit	Total Cost
1A	Traffic Cones	2500	Each	\$0.25	625.00
1B	Traffic Guides	200	Each	\$0.28	56.00
1C	Drums	2000	Each	\$0.35	700.00
1D	Type III Barricades	600	Each	\$1.15	690.00
2	Pavement Markings	2500	LF	\$1.90	4,750.00
3	Signs	6000	SF	\$7.00	42,000.00
3A	Sign Stands	150	Each	\$2.25	337.50
3B	Portable Signs	85	Each	\$2.30	195.50
3C	Sign Bagging	600	Each	\$12.00	7,200.00
3D	Variable Message Signs	15	Each	\$12.00	180.00
3E	Flashing Arrow Sign Unit (FASU)	12	Each	\$9.00	108.00
4	Concrete Barrier	2500	LF	\$2.50	6,250.00
4A	Water Filled Barrier	1500	Each	\$1.25	1,875.00
5	Temporary Lights	400	Each	\$1.75	700.00
	TOTAL				65,667.00

Activity #21, Determine Quantity of Equipment, was chosen to illustrate the traffic Implementation Category. The traffic management plans are followed to determine the type and quantity of equipment necessary for the event. The implementation portion of the project deals only with the equipment itself and not design and layout, which are determined in previous activities. This allows the focus to be on equipment availability and cost. The costs for equipment used during the event are presented in Exhibit 3.9. "Linear feet" is abbreviated as "LF" and "square feet" as "SF." It is assumed that existing equipment will be used and that new equipment will not need to be purchased. Each piece of equipment has a purchase value as well as a depreciation value. The DOT can establish a cost-per-unit per day that takes into consideration the purchase price and the expected lifespan of the equipment. Cost can be determined in this manner for each piece of equipment used for planned special events. This is a usage cost, rather than the cost of the good itself. These values need to be determined prior to tracking costs for the planned special event and need to be updated periodically to account for changes in value.

Day-of-Event

The day-of-event activities facilitate the actual operation of the traffic management plan, as well as monitoring of real-time conditions before, during, and after the event. These activities support real-time traffic management and control decisions during the day of event and provide key performance evaluation data for future planning.

Activity #26, Data Collection and Surveillance during Event Operations, was chosen to illustrate the Day-of-Event Category. It includes data collection, surveillance and performance measurement during the event operations. The types of data to be collected, along with the surveillance methods, are determined in earlier activities, so this activity involves only actual collection and surveillance. The data should be collected in a consistent manner and may be used for future events at the same site or for an event of a similar type. The possible methods used to collect data include:

- Road sensors for measuring traffic flow
- Vehicle probes for collecting data on travel times, trip origins, and trip destinations
- CCTV systems for viewing real-time traffic information
- Traffic signal system detectors to measure congestion
- Manual turning movement traffic counts
- Parking occupancy counts

The data collected is also used to determine when and if additional parking lots should be opened due to overflow conditions. The volume necessary for the overflow condition, as well as the method used to direct people to the overflow lots, should have already been determined as part of the Traffic Management category of activities. This includes the placement and bagging of signs along the routes in case additional lots are necessary. The staff time and equipment costs for this task can be seen in Exhibit 3.11.

Exhibit 3.11: Data Collection and Traffic Surveillance during Event Operations

Department	Level	Hours/Quant.	Rate	Total
DOT Traffic Engineering (TE)	Senior Staff	3	\$55.00	\$165.00
	Mid-Level Staff	24	\$38.00	\$912.00
DOT Planning Department	Senior Staff	2	\$55.00	\$110.00
	Mid-Level Staff	18	\$38.00	\$684.00
Police	Senior Staff	6	\$57.00	\$342.00
	Mid-Level Staff	12	\$28.00	\$336.00
Incident Command Center (ICM)	Senior Staff	6	\$52.00	\$312.00
	Mid-Level Staff	11	\$29.00	\$319.00
Traffic Control Center (TCC)	Senior Staff	3	\$50.00	\$150.00
	Mid-Level Staff	8	\$24.00	\$192.00
Transit	Senior Staff	6	\$59.00	\$354.00
	Mid-Level Staff	12	\$28.00	\$336.00
Equipment	Road sensors	15	\$250.00	\$3,750.00
	Vehicle probes	10	\$175.00	\$1,750.00
	CCTV systems	8	\$285.00	\$2,280.00
	Traffic signal system detectors	12	\$180.00	\$2,160.00
TOTAL				\$14,152.00

Post-Event

The Post-Event category includes the evaluation of local and regional operations based on debriefings and an analysis of traffic data collected on the day of event. The outcome of each and every activity represents the first step in planning for future events. This can contribute toward proactively improving travel management for all planned special events in a region. The project team can compile comments, develop surveys, and identify successes and failures to create a post-event report, often called an after-action report. The after-action report should be completed in conjunction with the project team and conducted with a focus on resource management and improving the delivery of services for the next planned event.

Activity #29, Event Patron Survey Preparation and Analysis, was chosen to illustrate the Post-Event category. An event patron survey is a useful tool for determining what can be changed for future events as well as assisting in the planning of similar events. The survey itself should be developed during the planning phase of the project. Unlike all of the other tasks discussed as part of this project, event patron survey preparation and analysis spans the life of the project and encompasses time spent throughout all of the phases of the project. The survey also encompasses the remaining sections of the project, since the survey should reflect real-time conditions on the day of the event. The survey needs to be completed, and the means of distribution determined, before the event itself so the process is seamless.

When the event is completed, this survey needs to be analyzed and a report prepared that discusses the results of the survey. This allows meaningful data to inform future event planning. The staff time for this portion of the project can be seen in Exhibit 3.12.

Exhibit 3.12: Event Patron Survey Preparation and Analysis

Department	Level	Hours	Rate	Total
DOT Traffic Engineering (TE)	Senior Staff	11	\$55.00	\$605.00
	Mid-Level Staff	24	\$38.00	\$912.00
DOT Planning Department	Senior Staff	8	\$55.00	\$440.00
	Mid-Level Staff	18	\$38.00	\$684.00
TOTAL				\$2,641.00

Cost-Tracking for an Example Special Event

The final activity identified in Exhibit 3.1 includes cost analysis of the event. An analysis of the total costs of managing the event is developed by tracking direct costs throughout the project and assigning indirect costs collected through the financial management system.

The purpose of this section is to provide a simple stylized example of the tabulation of costs of a hypothetical event. This example will help to familiarize the user of this primer with the types of data necessary to successfully track the costs of a planned special event.

The stylized example is provided in Exhibit 3.13. The example uses the following hypothetical event: An outdoor concert at Jones Field Park in Any Town, USA that is held on July 4, 2008 and located off State Route 1. The hypothetical event is also assumed to be the 47th PSE event in the area in 2008. The exhibit lists the DOT costs for the activities with direct costs, including:

- Hour and rate detail for staff members
- Usage and rate for equipment
- Costs for purchased materials and services
- Leave and fringe rates for staff costs
- General overhead rate that is applied to labor costs
- Equipment and materials handling rate that is applied to equipment and material costs

Exhibit 3.13: Costs for a Hypothetical Example Planned Special Event

ANY TOWN, USA - SPECIAL EVENT COST SUMMARY FORM						
Event Name: <i>Outdoor Concert</i>						
Event Code: <i>PSE-08-47</i>						
Date: <i>July 4, 2008</i>						
Location: <i>Jones Field Park</i>						
Department: <i>Transportation</i>						
Code	Activity	Item	Quantity	Unit	Unit Cost	Cost
Labor Costs						
PSE-08-47-1	Create activity list and assign cost codes	Senior Staff	8	Hour	\$55.00	\$440
PSE-08-47-1	Create activity list and assign cost codes	Mid-Level Staff	12	Hour	\$38.00	\$456
PSE-08-47-4	Assess construction activity impacts	Senior Staff	16	Hour	\$55.00	\$880
PSE-08-47-4	Assess construction activity impacts	Mid-Level Staff	58	Hour	\$38.00	\$2,204
PSE-08-47-10	Traffic Assignment and Capacity Analysis	Senior Staff	7	Hour	\$55.00	\$385
PSE-08-47-10	Traffic Assignment and Capacity Analysis	Mid-Level Staff	91	Hour	\$38.00	\$3,458
PSE-08-47-13	Determine Pedestrian Routing	Senior Staff	10	Hour	\$55.00	\$550
PSE-08-47-13	Determine Pedestrian Routing	Mid-Level Staff	81	Hour	\$38.00	\$3,078
PSE-08-47-26	Event Data Collection/Traffic Surveillance	Senior Staff	5	Hour	\$55.00	\$275
PSE-08-47-26	Event Data Collection/Traffic Surveillance	Mid-Level Staff	42	Hour	\$38.00	\$1,596
PSE-08-47-29	Event Patron Survey Preparation/Analysis	Senior Staff	19	Hour	\$55.00	\$1,045
PSE-08-47-29	Event Patron Survey Preparation/Analysis	Mid-Level Staff	36	Hour	\$38.00	\$1,368
	TOTAL		385			\$15,735
Equipment Costs						
PSE-08-47-21	Determine Equipment	Traffic Cones	2,500	Daily	\$0.25	\$625
PSE-08-47-21	Determine Equipment	Traffic Guides	200	Daily	\$0.28	\$56
PSE-08-47-21	Determine Equipment	Drums	2,000	Daily	\$0.35	\$700
PSE-08-47-21	Determine Equipment	Type III Barricades	600	Daily	\$1.15	\$690
PSE-08-47-21	Determine Equipment	Signs	600	SF	\$7.00	\$4,200
PSE-08-47-21	Determine Equipment	Sign Stands	150	Daily	\$2.25	\$338
PSE-08-47-21	Determine Equipment	Portable Signs	85	Daily	\$2.30	\$196
PSE-08-47-21	Determine Equipment	Sign Bagging	60	Daily	\$12.00	\$720
PSE-08-47-21	Determine Equipment	Variable Message Signs	15	Daily	\$12.00	\$180
PSE-08-47-21	Determine Equipment	Flashing Arrow Sign Unit	12	Daily	\$9.00	\$108
PSE-08-47-21	Determine Equipment	Concrete Barrier	500	LF Daily	\$2.50	\$1,250
PSE-08-47-21	Determine Equipment	Water Filled Barrier	1,500	Daily	\$1.25	\$1,875
PSE-08-47-21	Determine Equipment	Temporary Lights	400	Daily	\$1.75	\$700
	TOTAL		8,622			\$11,637
Materials and Purchased Services Costs						
PSE-08-47-21	Determine Equipment	Pavement Markings	2,500	LF	\$1.90	\$4,750
PSE-08-47-21	Determine Equipment	Paint	50	Gallons	\$29.95	\$1,498
PSE-08-47-21	Determine Equipment	Security Services	1	Each	\$3,595.00	\$3,595
	TOTAL		2,551			\$9,843
Indirect and Overhead Costs						
LFR	Leave/Fringe Rate	Apply to Labor Costs		Percent	0.6246	\$9,828
LOH	Labor Overhead Rate	Apply to Labor Costs		Percent	0.6513	\$10,248
EMHC	Equipment/Materials Handling Charge	Apply to Equip/Material Costs		Percent	0.0547	\$1,175
Total Cost						
	TOTAL					\$58,466

Chapter 4: Strategies for Cost Minimization and Cost Recovery

The following strategies are designed to guide departments and agencies that desire to improve resource management and cost recovery. The methods fall into four groups: data collection, resource utilization, direct cost recovery, and indirect cost recovery, each with a few suggested strategies, as described in Exhibit 4.1. The strategies are provided merely as guidelines and a platform for featuring examples that jurisdictions may incorporate or learn from. Each strategy has its benefits and drawbacks, and each jurisdiction must weigh these with regard to their particular local needs.

PSEs can generate economic activity and provide communities with publicity and an outlet for community expression. Engaging in data collection and proper resource utilization prior to direct cost recovery will prevent unnecessary expenses from being passed on to other agencies, the federal government, or the public. This approach can be beneficial to the jurisdiction as well, since their goal is often to retain and promote special events when they benefit the city and its residents.

Data collection, a part of cost management, is necessary in part because agencies must collect costs before they can bill for them. However, engaging in cost management also provides accountability and transparency and can inform public policy. Data collection allows jurisdictions to understand their costs and quantify the financial burden and benefits of special events. In this chapter, we expand the concept of data collection to include fiscal effect data and non-financial items such as number of attendees and number of PSEs. Fiscal impact data is especially relevant to informing local policy on event recruitment and cost recovery. Fiscal impact data allows jurisdictions to understand the net effect of events, comparing the costs associated with planning and operations with the increased tax revenue.

Resource utilization is the application of asset management. Once the greatest costs are identified through data collection, targeted resource utilization strategies can be applied to reduce costs where they will have the most effect.

Direct cost recovery is useful when a jurisdiction feels that the event largely provides a private or individual benefit, rather than a public service. Direct cost recovery can also be used to offset a portion of costs and to pass some incentive along to event organizers to minimize costs. Fiscal effect data, if available, can be used to inform the policy debate on direct cost recovery.

Indirect cost recovery recognizes that the tax revenues generated by events may be captured by different agencies and jurisdictions than those responsible for facilitating the PSE. A budget line item can be used to capture the revenue necessary to cover costs. In other instances, an agency or jurisdiction may face costs for events for which they have limited responsibility for, such as a national event, and they may look to the Federal government for financial support.

Exhibit 4.1 Cost Recovery Activities

Data Collection

Data to be collected include the number of events, event attendance, information on the venues that host the events, the cost of disruptions or changes in normal traffic patterns due to events, the costs to the various government agencies that have to plan for and manage traffic associated with the events, and the tax revenues associated with events such as sales taxes and lodging fees. This data provides information that is critical to the process of cost recovery. In this primer, detailed instructions are provided on three data collection strategies. These include:

Strategy #1 – Collect Event and Venue Information

Strategy #2 – Collect Cost Data

Strategy #3 – Collect Fiscal Impact Data

Resource Utilization

Strategies to reduce costs and improve resource utilization include scheduling the time and location of events to minimize traffic disruption and traffic management costs. While these activities do not result in direct recovery of costs, they reduce the costs to be recovered by increasing efficiency. For jurisdictions that already engage in direct cost recovery, resource utilization strategies will reduce the cost to event organizers. In this primer, detailed instructions are provided for two mitigation strategies:

Strategy 4 – Event Time and Location Planning

Strategy 5 – Traffic Mitigation Planning

Direct Cost Recovery

A number of strategies can be used to directly recover costs associated with event traffic planning and management. Costs may be recovered from event organizers, event patrons, or major stakeholders such as a venue owner. In this primer, detailed instructions are provided for five direct cost recovery strategies:

Strategy 6 – Institute a Pilot Program

Strategy 7 – Develop a Retail-Like Environment

Strategy 8 – Direct Negotiation with Major Event or Venue Operators

Strategy 9 – Institute Special Event Parking Fees or Taxes

***Strategy 10 – Institute a Ticket/
Merchandise Tax***

Indirect Cost Recovery

A number of strategies can be used to indirectly recover costs associated with event traffic planning and management. Costs may be recovered from government entities that collect taxes, or fees may be levied on the patrons at planned special events. In this primer, detailed instructions are provided for two indirect cost recovery strategies:

Strategy 11 – Develop a Line Item

Strategy 12 – Apply for Grants

Strategies

The following subsections contain descriptions of each strategy in detail, including an overview, discussion of strategy implementation, examples of jurisdictions that have employed such strategies, and additional considerations.

Data Collection

Strategy 1: Collect Event and Venue Information

Overview

It is important for officials to have an understanding of the number, frequency, type, and attendance of PSEs in their jurisdiction. This information is useful because it allows officials to plan resource allocations and activities to help facilitate these events and minimize the effects these events have on non-PSE government operations and the general public.

Implementation

Information about PSEs in most regions is largely fragmented and dispersed. There are a series of actions, however, that can be taken to develop meaningful estimates of the number of PSEs in a region, while at the same time minimizing the duration and effort of the data collection and estimation process.

Developing estimates is a four-step process. The first step is to identify the region of interest, whether it is a district, city, metropolitan area, county, state, or the entire nation. Planners can spatially bound their study area based on their area of responsibility, or segment the areas to delegate the data-gathering responsibility to small administrative units. It is important to consider, however, that an event in one area can affect departments in another. All event venues that affect the department should be considered a part of the study area, even if the event does not occur in that area.

The second step is to establish a minimum event attendance size to define PSEs. This attendance-determined definition decides the attendance level at which PSE traffic related congestion becomes an issue of concern. A small city may consider an event with 500 attendees to be a PSE that would have significant transportation-related implications, while a large city may consider an event with 5,000 attendees to be a PSE with large transportation implications. It should be noted that attendance is not the only factor that influences PSE-related congestion. Other PSE congestion factors include event location, parking availability, accessibility by public transportation, sufficient public transportation capacity, and use of transportation management technologies such as intelligent transportation systems. Nevertheless,

Exhibit 4.2

Example categories of Planned Special Events:

College and Professional Team Sports

- Football
- Baseball
- Basketball
- Ice Hockey

Other Professional Sports

- Auto Racing
- Horse Racing
- Boat Racing
- Golf

Street and Park Events

- Marathons
- Walk-a-thons
- Bike-a-thons
- Parades
- Fairs
- Festivals
- Protests
- Political Events

Shows & Concerts

- Expositions
- Conventions
- Trade Shows
- Concerts

attendance is a major contributing factor in PSE related congestion, and it is difficult to plan parking, public transportation needs, and transportation management systems without having estimates of the number of event attendees.

The third step is to identify events in the region of interest that are likely to have attendance levels that exceed the minimum attendance definition of a PSE in the region.

Next, micro- and macro-level approaches to data collection can be implemented to gather information from secondary sources, event organizers, event venue managers, governmental agencies, and event-related associations. The dual-level approach is useful because it helps overcome challenges in data dispersion and availability.

The micro-level approach involves contacting event venue officials, event organizers, and permitting authorities such as police departments. The macro-level approach involves collecting data from trade associations representing the relevant entities within various special events categories. The primary data items that need to be collected and estimated for each of the identified event types in a region are the following:

- Number of event days annually
- Average attendance
- Total attendance

Any of these three can be determined when the other two are known.

Additional Considerations

Additionally, if it is possible, revenue or spending-per-attendee estimates should be collected for each PSE category. This will help determine the economic and fiscal effects of local PSEs. Once this information has been collected and a better understanding of the number, frequency, and attendance size of PSEs in a region has been developed, the data can be used to effectively plan and facilitate PSEs.

Strategy 2: Collect Cost Data

Overview

It is important for transportation officials to collect cost data regarding the provision of goods and services related to facilitating PSEs. However, collecting cost information can be difficult for transportation officials due to frequent misunderstandings of costs concepts, the involvement of multiple agencies, and difficulty differentiating PSE-related activities from other activities. Chapter 3 provides a detailed description of how government agencies can track costs of PSE planning and operations.

A useful reference on how to develop an estimate of PSEs in a region is a FHWA report by Jack Faucett Associates entitled “Planned Special Events – Economic Role and Congestion Effects” (FHWA-HOP-08-022). The report documents the development of the first-ever estimate of the annual average number of PSEs with more than 10,000 attendees in the U.S.

Implementation

When detailed cost data for a number of events have been collected, it becomes easier to estimate the costs associated with similar events in the future. This is particularly helpful if the number, frequency, type, and attendance of PSEs are known. PSE facilitation cost information helps officials plan resource allocation and budget development. Additionally, when major cost categories are known, it is possible to analyze which services cost the most and might benefit from gains in service or technological efficiency.

Strategy 3: Collect Fiscal Impact Data

Overview

Estimates of the fiscal and economic effect of PSEs in a region have multiple uses. These estimates can help public officials determine whether specific PSEs cost the government more or less to facilitate than the event generates in positive economic and fiscal effects. If the fiscal effects of PSEs are found to be large, they may completely offset the need to recuperate PSE facilitating costs from event organizers, attendees, and other sources. However, PSE facilitation costs and fiscal effects may accrue to different agencies and are difficult to track.

Implementation

Fiscal impact can be calculated by estimating tax revenue collected from economic activity associated with PSEs. Taxes can be levied on good and service sales, hotel stays, and event tickets. Attendance at PSEs often increases demanded for goods and services provided at or near PSE venues. These goods and services, which are often taxed, include food, beverages, and fuel. However, many local and state governments do not tax food and beverage sales.

To estimate the fiscal impact of a PSE, the first step is to develop estimates of average spending per attendee on goods and services related to an event. These estimates can be developed from surveys and secondary sources. As noted earlier, attendees spend money on event merchandise, food, beverages, hotels, and transportation. The next step would be to collect the applicable tax rate for each of these expenditure categories. Lastly, multiply average spending per expenditure category, the applicable tax rate, and the total number of event attendees. The sum of this value for all the expenditure categories is equal to the total fiscal impact of the PSE.

For example, in the FHWA study titled "Planned Special Events – Economic Role and Congestion Effects" (FHWA-HOP-08-022), a per capita multiplier was used to estimate the fiscal impact of the average number of annual PSEs in the U.S. with more than 10,000 attendees. The multipliers used in the FHWA study were based on a San Jose, California report, which estimated the fiscal effects of six different events that occurred in the city and was based on data collected from 10,000 event attendees.

Source: Skolnik, J., Chami, R., & Walker, M. (2008). Planned Special Events- Economic Role and Congestion Effects. Washington DC: U.S. Department of Transportation, FHWA.

A 2007 study performed for the City of San Jose provides an example of this estimation process. The types of tax revenues that were estimated in the San Jose study include: sales, hotel occupancy, hotel business improvement district fee, ticket, and gasoline.¹

Additional Considerations

It is important to estimate and consider the fiscal effects PSEs have on different agencies and groups. Since different levels of positive and negative effects can accrue to different stakeholder groups, it is necessary to address questions of equity and responsibility with regard to PSE facilitation and PSE effects. In order to address these issues meaningfully, it is also necessary to attempt to quantify the positive and negative fiscal effects of PSEs. However, this is not an easy task. Tracking the costs and benefits of facilitating PSEs is difficult and often involves estimates that can vary widely based on specific assumptions, such as event participant spending and fiscal effects.

Resource Utilization

Strategy 4: Event Time and Location Planning

Overview

Resource utilization is a central element of cost management. Simple changes, such as having marathon courses loop rather than extend from a fixed point, can reduce traffic management costs. These changes are dependent upon having the ability to negotiate with event organizers.

Implementation

Seattle structures its permitting system such that the Seattle DOT assesses costs involved and attempts to minimize them prior to granting a permit. To be able to engage in such resource management, a department must be able to have recourse to deny the event or certain elements of the event. Resource management is also about assessing available opportunities and alternatives. For example, the city of Rockford, IL is considering replacing some of its police traffic personnel with trained volunteers to reduce costs.

Marketing to encourage the use of public transportation and alternative modes of transportation, such as biking and walking, can also prove cost-effective. The city of Washington, D.C. uses money obtained through a CMAQ grant to aid event organizers in providing alternative transportation options to patrons. Similarly, just before the opening of Nationals Stadium and the Pope's visit in 2008, Metro engaged in large marketing campaigns to encourage ridership and defray downtown congestion. For more information on resource management, see Chapter 2.

Additional Considerations

Proper resource utilization can often be beneficial. For many events, changing the start time or day may be undesirable, but the additional costs incurred from having an event during overtime hours should

¹ Sports Economics. 2007. "Analysis of the Economic and Fiscal Impact of Cultural and Sporting Events in San Jose." Accessible at <http://www.sjeconomy.com/publications/oedpubs/economic.impact.report.2007.pdf>

always be recognized and considered. The goal of resource utilization is to increase efficiency, a topic that may at times be complicated and difficult to address, but is otherwise desirable. However, increasing efficiency and evaluating all events' use of resources can raise political issues as resources are shifted.

Strategy 5: Traffic Mitigation Planning

Overview

Simple changes, such as stretching event start and end times to avoid traffic clustering and locating venues or events near each other to take advantage of shared resources, can reduce costs. Some ideas and examples are provided below, but the only thing this strategy really requires is creative planning that makes the most of available resources and identifies opportunities for cost-saving measures.

Implementation

Events held within a few days of each other at the same location or in close proximity can reduce setup costs; equipment can be left in place between events, as well, and would only need to be unloaded and loaded once. Cones and barriers can be collected and held near the event site; signs can remain displayed for events that are only a few hours apart and be bagged between events, rather than taken down for events held a few days apart. The two events will be able to use either the same or very similar traffic management plans, and personnel will already be familiar with the desired traffic pattern and associated challenges. Some cities have adopted similar strategies for permanent venues. Philadelphia and Detroit both have several large venues built in close proximity to each other to take advantage of shared resources, such as parking capacity and signage. This strategy also allows equipment to be stored nearby, which reduces transit and provides the opportunity to employ a staff dedicated solely to these venues.

Alternatively, very large events can benefit from stretching out their start and end times to reduce the clustering of traffic flows. At the Indianapolis 500, NASCAR held a free car show prior to the actual race to encourage some portion of patrons to arrive over a two-hour time period rather than just before the official start of the event. Some minor league baseball teams, such as the Scranton Wilkes-Barre Yankees, allow children onto the field to run around the bases, thus stagger the rate at which patrons leave the event. Holding fireworks or concerts after events is another popular approach. Often, staging these before-and-after events is less expensive than paying for the additional personnel that would otherwise be needed to maintain traffic flow.

Additional Considerations

The start and end times for events held near each other can be staggered as much as possible to prevent congestion caused by traffic clustering. Permanent venues located near each other may sometime be unable to stagger appropriately and may occasionally lack adequate parking capacity. With festivals and other similar events, changing the event days to facilitate resource-sharing may be unrealistic or undesirable. When creating before-and-after-event plans, it is worthwhile to consider whether the benefits outweigh the costs.

Direct Cost Recovery

Strategy 6: Initiate a Pilot Program

Overview

For departments that historically do not recover costs from event organizers, but are currently considering billing for certain city services, a pilot program is a good approach. A pilot program that allows cost recovery to be phased in over time will allow for feedback, adjustments, and lessen the burden on event organizers. A pilot program should include disseminating information about cost recovery regulation, fee structures, and fee exceptions to event organizers and will most likely include elements from Strategy 7 “Developing a Retail-like Environment.”

Implementation

Initiation of a pilot program should begin with discussions regarding cost recovery goals, pilot program objectives, fee structure, time-frame for the program, and whether certain events will be exempt. Consideration of the fee structure should include whether to reduce fees for non-profit or community events, ways to ensure access to city services for small groups lacking funding, and a decision regarding which types of events are considered to have First Amendment rights and therefore will be exempt from cost recovery. While almost all jurisdictions differentiate between First Amendment gatherings and other planned special events, jurisdictions often follow different guidelines. For example, the City of San Francisco considers parades to be cultural expressions akin to First Amendment rights and therefore does not seek cost recovery for such events. Other jurisdictions consider a march, but not a parade, to be a First Amendment right. Additional fee structure options include a flat permit fee, a permit fee based on attendance or a fee levied as a percentage of actual city expenditures. For example, the City of Seattle found attendance to be highly correlated with event management cost.²

Jurisdictions should also consider the economic activity and revenue generated by each event when designing a fee structure. While the City of Seattle recently instituted greater cost recovery for barricade set-up and take-down, it continues to provide this and other services free of charge for more than 20 long-standing city special events such as Seafair. These costs can be significant: the cost to the city in 2006 for set-up and take-down of barriers at Seafair alone was \$85,000.³

A person or committee can be designated to oversee the implementation of the pilot program. This entity will then be responsible for soliciting and coordinating reviews, public comments, and internal department communication regarding the program. Evaluations can be completed after each planned special event and include commentary from event organizers and all departments affected by the new program. The department can also provide a forum for public comment and consider the feedback provided from the public, event organizers, and other city officials or departments in revising the program. The department will need to engage in communication efforts to inform event organizers of the new fees.

² Office of City Auditor, City of Seattle . (2008). *Seattle's Special Events Permitting Process: Successes and Opportunities*.

³ Office of City Auditor, City of Seattle . (2008). *Seattle's Special Events Permitting Process: Successes and Opportunities*.

Additional Considerations

The department can consider the costs of staff time and resources that will need to be committed and compare this to the anticipated returns of the program. The department may also want to carefully consider whether direct cost recovery is appropriate for their jurisdiction.

Strategy 7: Develop a Retail-like Environment

Overview

Recovering costs from event organizers in a consistent manner can be facilitated by the use of a retail-like environment, which includes the ability to hold deposits, bill the appropriate party, generate receipts or other proof of payment, reconcile actual payments received against amount owed, and provide refunds as necessary.⁴ This retail-like environment may also include the set up of a designated place to pay fees in person or a virtual payment center where fees can be paid online. All forms should clearly state where payments can be made. In addition to the physical capacity to handle billing and tracking of payments, providing clear information to event organizers regarding estimated costs or fees is an important component of creating a retail-like setting.

Implementation

This strategy requires a reliable system for handling payments and deposits. In addition to this, departments may consider making fee structures more transparent and providing this information to event organizers as they begin to plan the event.

A clear, detailed, and readily available fee structure accomplishes two objectives. In addition to allowing the department to bill parties and reconcile payments with greater ease, it can allow event organizers to be active participants in applying resource utilization and lowering costs. A published fee structure that includes options and shows cost differentials will allow event organizers to minimize costs subject to their constraints. Organizers may then choose to reduce their costs by holding their event during non-overtime hours or holding the event in a different location, if possible. Jurisdictions or departments, where such interdepartmental coordination is too difficult or not possible, may want to consider having one location where all permits and fees can be gathered and paid and information regarding all fees and fee exceptions is available. Currently, it can be very difficult for event organizers to gather such information, as it is frequently provided separately by each agency, is difficult to aggregate, and in some cases may only be available after the event details have been finalized. Sharing cost information with event organizers as they develop the event will give them an incentive to work with the city and be more active participants in the effort to reduce costs. While this is not a substitute for the department engaging in optimal resource utilization, as discussed in Chapter 2, this can enhance that effort.

Research conducted by the Federal Highway Administration found that many departments are not set-up to engage in retail-like activities and may therefore not be collecting all applicable fees.⁵ One city audit found that the police department had waived administrative overhead costs (normally 22.6%) for several organizations without proper authority, despite availability of a legitimate channel to waive or

⁴ Kuehn, D. (2006). Managing Costs for Planned Special Events. Prepared for the 2nd National Conference on Managing Travel for Planned Special Events. Federal Highway Administration.

⁵ Kuehn, D. (2006). Managing Costs for Planned Special Events. Prepared for the 2nd National Conference on Managing Travel for Planned Special Events. Federal Highway Administration.

reduce fees upon demonstration by an event sponsor that it is unable to pay the full fee.⁶ Inconsistent fee collection can reduce department credibility and will often result in fewer available funds. Departments that already engage in direct cost recovery may wish to ensure proper payment and processing of received funds prior to increasing cost-sharing.

Additional Considerations

Fees for events held by non-profit organizations or events considered to be expressions of free speech are often waived or reduced. If waiving fees, the department should be sure to look at whether optimal resource utilization has been used, since event organizers are insulated from the cost.

For small cities that do not hold many planned special events, the costs of implementing this strategy may outweigh the benefits. However, jurisdictions should keep in mind that the benefits include not just increased cost recovery, but also a more consistent application of a rule, which may be a goal in its own right. The strategy would involve staff time and may also require physical space, the services of a consultant to create a virtual space, a physical space, or specialized accounting software. An additional consideration is that creating a “one-stop shop” for all permits requires a high level of inter-departmental cooperation and support from the city.

Strategy 8: Direct Negotiation with Major Event or Venue Operators

Overview

Many departments of transportation have successfully persuaded other stakeholders to incur certain costs associated with planned special events. While this strategy may be employed for any large event, it is particularly useful for recurring events or events held at permanent venues, such as convention centers, stadiums, and arenas, which may rely heavily on city resources. Negotiations should stress that all parties involved in the execution of an event are partners.

Implementation

The negotiation process starts with preparation, which sets the tone for discussions. Enter negotiations with the understanding that a “win-win” solution is possible and frame the negotiation as a problem-solving process in which all the partners bear a responsibility. Clearly communicate the city’s willingness to collaborate and find alternative solutions while remaining focused on the overarching goal established during preparations. A thorough understanding of the conditions is needed before contacting special event partners.

- Establish goals for engaging event holders in negotiations.
- Identify major stakeholders, such as venues, event organizers, event sponsors, and local economic development authorities. Chart who is involved in each event. The most obvious party may not be the one who steps in to contribute. In Washington, D.C., the D.C. Sports and Entertainment Commission provided funding to compensate for police overtime at late ending baseball games.

⁶ City and County of San Francisco Office of the Budget Analyst. (n.d.). *Special Events*. Retrieved September 17, 2008, from SfGov: http://www.sfgov.org/site/budanalyst_index.asp?id=5190

- Calculate the costs of the services provided for events, considering all costs: policing, disruptions, changes to traffic patterns, and anything else. Be prepared to discuss benefits as well, especially the effect on city tax revenue.
- Develop an engagement strategy that prioritizes who to negotiate with, and how cost recovery from each event contributes to the overall cost recovery goal. Start with events or venues that cost the city the most on a yearly basis. Regular event holders with an investment in the city, such as sports teams, are usually a good place to start. Prepare to engage all the major players who have a stake in the events and determine what you hope to achieve from each negotiation.
- Understand all event partners' assets and liabilities in individual negotiations; these can be used as bargaining chips and facilitate a quid pro quo between negotiators. For example, in return for receiving compensation for traffic disruption, a city can shift a portion of city resources to event area road improvements and beautification.

In the proper environment, negotiating directly with major event partners can recover a significant amount of special event costs. Cities like Washington, Phoenix, San Francisco, and New York all successfully negotiated with major event holders to at least partially recover their costs. The San Francisco Giants and the 49ers currently pay 31% of the cost of providing police coverage at 3 Com Park, and The Office of the Budget Analyst has recommend that the city pursue further negotiations with the two teams prior to the opening of a new downtown ball park. The New York City Department of Parks and Recreation has a twenty-year lease agreement with the Brooklyn Cyclones granting the Cyclones exclusive use of Key Span Park. The rent is based on, among other things, a per-ticket fee, actual game attendance, special event income, advertising, and the Surf Avenue retail area. BBC, the company that owns the Cyclones, is required to deposit \$27,670 into a sinking fund that permits the Parks Department to perform capital improvement projects at the stadium.

Additional Considerations

Major event holders may feel unfairly singled out with this strategy. To ensure that the concerns are mitigated, consider establishing a well-justified distinction between their events and those that will not be targeted. The media can play a role in swaying public opinion on the matter and should also be considered as a factor.

Strategy 9: Institute Special Event Parking Fees or Taxes

Overview

For jurisdictions that do not wish to bill event organizers directly for costs, a special event parking fee is one strategy that can provide some level of cost recovery. Benefits of the strategy include the potential for the fee to encourage people to carpool or take public transportation, thereby reducing congestion and the associated expense of traffic control. Charging a fee for parking during times of high parking demand can “manage parking demand, manage vehicle traffic, and generate revenue.”⁷ Unlike individual parking meters, wireless pay stations have a centrally-controlled system that can that be programmed to charge a certain amount during certain hours.

⁷ Litman, T. (2006). Parking Taxes: Evaluating Options and Impacts. Victoria: Victoria Transport Policy Institute.

Implementation

City parking garages that do not charge for parking on evenings and weekends can begin charging during a special event or charge a special event fee in addition to any fees already in place. Jurisdictions may choose to charge a premium for parking that is especially close to the venue. If there are no public garages near the event, jurisdictions may also consider implementing an additional special event tax on privately-owned parking garages located near the event.

In 2007, the New Jersey Legislature approved the imposition by any municipality of a special event parking tax,⁸ and the City of Tampa has implemented special event parking rates at city garages and certain venues like the Tampa Bay Performing Arts Center, Tampa Convention Center, St. Pete Times Forum, and the Tampa Library.⁹ The city garage rates are a flat fee per event, but vary between facilities. The fees are generally \$5 to \$10. At Nationals Stadium in Washington, D.C., which is located in an area with little available parking space, valet parking is available for \$50, nearby parking is available for \$20, and free parking and shuttle service are provided from RFK Stadium, which has excess capacity.¹⁰ The City of Ithaca implemented a special event parking fee of \$3 this year and recovered \$3,000 at their last event, the Ithaca Festival. Estimated city costs for the Ithaca festival were between \$45,000 and \$60,000, but city officials view special events as a net benefit for the city and were pleased with the additional income generated by the parking fee, even though it was a small portion of the costs.

The City of Pasadena has implemented pricing on street spaces which had previously been free of charge.¹¹ The city felt the pricing was necessary to improve parking availability. Initially, local merchants opposed the idea, but they consented when the city offered to dedicate all revenues to downtown improvements. This policy has been extremely successful. Parking revenue funding has resulted in extensive downtown redevelopment including new street furniture, trees, and pedestrian facility improvements, which have attracted new visitors. Local sales revenue and sales tax revenue has also increased.

Additional Considerations

While one benefit of this strategy is that it will generate revenue without restricting access to the event, the percentage cost recovery from this method is likely to be small relative to the cost of city services.

⁸ State of New Jersey. (2008, January 13). Retrieved from P.L. 2007, c.296.

⁹ City of Tampa. (n.d.). *Special Events Parking*. Retrieved September 17, 2008, from TampaGov: http://www.tampagov.net/dept_parking/Programs_and_Services/event_parking.asp

¹⁰ <http://wtopnews.com/?nid=25&sid=1390834>

¹¹ Litman, T. (2006). *Parking Taxes: Evaluating Options and Impacts*. Victoria: Victoria Transport Policy Institute.

Strategy 10: Institute a Ticket Tax

Overview

Implementing a traffic management tax on special event tickets is another method of direct cost recovery. The tax would be collected from event patrons when they purchase a ticket. However, the tax is also likely to affect event organizers. A small tax on a small ticket price is likely to have little effect. For events with tens of thousands of attendees, a flat tax of just a few cents per ticket can be enough to cover traffic management expenses. However, the implementation of a 15% tax on relatively expensive tickets, such as those for sporting events, could have a negative effect on both event organizers and event patrons. As with all taxes, the burden of the tax depends on the sensitivity of demand to a change in price. The tax could also be extended to cover merchandise sold as part of the event.

Implementation

The tax rate on tickets and merchandise at the Verizon Center in D.C. was recently increased from 5.75 percent (D.C. sales tax) to 10 percent, part of a plan approved by the D.C. Council to pay for \$50 million in renovations at the sports arena.¹² The D.C. Council also recently considered raising taxes on Nationals tickets, concessions, merchandise and parking from 10 to 15 percent to cover a shortfall in revenues and pay down the stadium debt.¹³ While such "stadium district" taxes have traditionally been used to fund development, the City of San Jose charges a 5% "gate fee" on gross admissions revenue for special events. The tax revenue is paid to the city, but earmarked for the Festival, Parade, and Celebration grant program.

Additional Considerations

Ticket taxes only work when there are tickets. This strategy would not work with many large recurring events, such as the Washington, D.C. Cherry Blossom Festival, that are free to the public and feature small vendors likely to deal largely in cash. There also may be considerable opposition to implementing a tax on tickets. Michigan recently considered a tax on tickets to professional sporting events, shows, movies and concerts. The tax was expected to generate \$100 million a year, but faced considerable opposition by the public, who viewed it to be an unnecessary additional tax on activities that contribute to quality of life.

Indirect Cost Recovery

Strategy 11: Develop a Line Item

From a political and administrative perspective, adding a line item for planned special events can lead to better decisions. The line item reveals the cost of events and enables discussion as to whether special event cost recovery policy is meeting the needs of the community. Additionally, it helps legislatures manage costs, because public administrators required to predict and justify the budget are accountable to manage resources effectively to meet the stated budget. A discussion of line item implementation is provided in Chapter 5.

¹² <http://www.washingtonpost.com/wp-dyn/content/article/2007/04/19/AR2007041902588.html>

¹³ <http://www.news8.net/news/stories/0708/536200.html>

Strategy 12: Apply for Grants

Jurisdictions should make an effort to discover whether federal funding is available to defray PSE transportation costs. Sources of federal funding are discussed in Chapter 6.

Conclusion

As part of effective cost recovery, when a Department of Transportation or other entity considers which of these activities to undertake, it must evaluate the resources involved and the expected benefits. Once such an evaluation is completed, a set of appropriate activities can be selected and implemented to help them improve cost recovery efforts.

Chapter 5: Developing a Planned Special Events Line Item

Introduction

Regardless of a jurisdiction's cost recovery policy, introducing a line item to a department or city budget can be a useful cost management tool. A line item clearly identifies the costs incurred to host planned special events and is useful for policymakers who, when clearly confronted with the magnitude of the funds, will more closely consider the benefits that special events provide to the community versus the costs that are absorbed. For an administration that is interested in understanding how much planned special events cost each year, the line item is a way to motivate those involved in the tracking process to accurately record expenditures and receipts.

Benefits of a Line Item

Adding a line item to the municipal budget for planned special events improves the transparency of department or municipal finances. This facilitates more effective decision-making by state and local leaders and encourages more productive citizen participation.

Planned special events positively affect the community, but they come at a cost. Events generate direct benefits for some organizers and increase the stature and name recognition of the city. These effects ripple through the economy, creating indirect and induced effects. The costs of hosting events, however, are not necessarily paid by those who benefit from the event.

In Rochester, New York, staffing special events was the leading cause of police overtime over a 10-year period. Those costs can be anticipated.

Source: *Democrat and Chronicle*,
November 19, 2006

From an administrative perspective, including a well-justified line item in the budget clearly states the anticipated costs of planned special events and ensures that policy makers recognize the costs of the events. Accurately categorizing and forecasting costs will reduce unexpected expenditures which necessitate drawing-down the general fund and lead to political difficulties, especially concerning the use of overtime hours.

The recovery costs from individual events can also raise issues regarding free speech, support for charitable causes, or community-building needs. Direct cost recovery may not be an issue over which politicians want to risk popularity. An alternative is to fund the cost explicitly through the budgets of the affected agencies with a designated line item.

Anatomy of a PSE Line Item

An effective planned special events line item is a comprehensive forecast of how much the department or municipality expects to spend to host events during the upcoming year. It is the natural next step from cost tracking, because it only requires analyzing the data collected, estimating changes to individual items, and presenting the results clearly.

The more comprehensive and well-justified the line item is, the more useful a tool it can be. A city that can get all departments involved in special event planning and implementation to account for their

expenditures and forecast them for the coming year has made substantial progress toward implementing the most appropriate policy for the community. Even if it is only used at the departmental level, the line item demonstrates responsible management practices. The more special event cost factors that are included in the line item, the better justified it will be to policymakers.

A line item can be as basic as budgeting for expected overtime or as detailed as including every cost a department or municipality incurs to fulfill its role in staging events. Similarly, the level of analysis can vary depending upon the budgeters' desire to be thorough. While the most accurate estimates anticipate how a variety of trends may affect costs, it is also possible to estimate costs by trends from previous years.

Bay City, Michigan hosts numerous regular special events, including the second biggest Independence Day celebration in the State of Michigan. Planned special events are an important part of community life that also creates economic benefits.

In 2000, the police department began including a line item for police overtime in its annual budget, according to Police Chief Michael Cecchini. Budgeting for overtime is a simple way of capturing the majority of special event costs, and it can be done simply. For the 2008 budget, Cecchini adjusted the previous year's overtime by a 2 percent cost of living adjustment. He feels that the presence of the line item is beneficial to the department and the city because it allows citizens and public servants to have a "total budget picture" from which to track costs in relation to benefits. It has also helped the police department stay on budget by reducing surprise costs.

Source: Interview with Police Chief Michael Cecchini, October 3, 2008

More detailed line items include several cost categories, as well as multiple indicators of future costs. For example, a line item for a city department of transportation may include overtime and regular hours spent on special events, as well as fuel, equipment, administrative overhead, and any other costs. Predicting those costs for the upcoming fiscal year could incorporate historic trends of costs and events, effects of anticipated new events, and the effects of any policy changes towards planned special events.

Calculating a PSE Line Item

There is no standard for forecasting costs when formulating a line item. What works best for one agency may not work well for another, because it largely depends on the resources and data available. Generally, however, the more detailed the forecast, the better.

Each department's ability to develop a well-justified forecast will depend on the level of detail of cost information that it currently collects. At the least, a department can modify its current-year expenses by adding an inflation adjustment. At best, a department that itemizes costs for each individual event can generate a very accurate estimate of the upcoming year's costs by estimating the following:

1. The number of events and the size of each
2. The changes in the amount of each itemized unit, such as overtime
3. The change in cost per unit for recurring events
4. The number of unexpected events based on historical trends

Tables 5.1 and 5.2 show how a hypothetical department of transportation budgets for planned special event costs. It is a simple method requiring only yearly aggregate data. The department of transportation, in this case, knows how many itemized units were used for the entire year for planned special events and their costs. From the total units used, it can then determine an average per event using the total number of events hosted. Therefore, the department has a basis from which to estimate the number of events, the average units used per event, and the price per unit for the upcoming year.

The first step is to estimate the number of events for the upcoming year, based on information about new events and the historical trend of new events. This process is shown in the first third of Table 5.1. The example shows that a regular Mardi Gras parade was cancelled, reducing the number of anticipated parades, and that if the trend of unexpected events were to continue, another three (rounded to the nearest whole number) would occur the following year.

Exhibit 5.1 Special Events Unit Estimation Table

	Current Year	Predicted Change	Proposed	Notes
Events				
Parades	5	-1	4	Mardi Gras parade cancelled
Golf tournaments	4	+2	6	Rotary and ABC, Co. tournaments added at SCC
Farmers' markets	26	0	26	No change
Street festivals	17	+3	20	New Turkish & Salvadorian festivals & crafts fair
Unexpected	52	+5.0%	55	5% average increase over 5 years
Total events	104		111	
Units/event				
Regular hours	50	+5.0%	53	New overtime policy
Overtime	100	-5.0%	95	New overtime policy/ volunteer requirement
Fuel	150	-5.0%	143	New volunteer requirement
Equipment	--	--	--	No unit measure, priced per event
Price/unit				
Regular hours	\$35.00	+2.7%	\$35.95	COLA adjustment
Overtime	\$52.50	+2.7%	\$53.92	COLA adjustment
Fuel	\$3.60	+9.5%	\$3.94	Energy information administration estimate
Equipment*	\$200	+5.0%	\$210	*Cost per event

Next, the budgeter can adjust the number of units required to stage each event by estimating the effect of any changes in special events policies or management practices. This process is shown in the middle

third of Table 5.1. For example, the new overtime policy is expected to require more special events shifts to be covered during regular hours, increasing the regular hours, while it also contributes to a decrease in overtime hours.

Third, the budgeter should estimate changes to factors that influence the price of each unit. This process is shown in the bottom third of Table 5.1. For example, the Energy Information Administration forecasts a 9.5 percent increase in fuel prices, resulting in a fuel cost estimate 34 cents higher than the current year.

Fourth, the budgeter multiplies the estimated number of events by the estimated units per event and their cost to get the projected expenses for the upcoming year, as shown in Table 5.2. For example, the estimated total of 111 planned special events multiplied by an estimated 53 hours of regular work time per event results in 5,883 estimated hours for the whole year. At an estimated rate of \$35.95, the expected regular hours will cost the department \$211,494.

Finally, the sum of all the special events items becomes the expenditure line item in the department budget, as shown in the lower portion of Table 5.2.

Averaging across number of events is a very basic way of using aggregate data. It may be more useful to use the unit per event attendee if that is possible, should aggregate attendee data be available. If resources are available, it is best to categorize costs by size or event type for estimation, or even estimate the cost for each event individually.

Additional Considerations


From a policy development perspective, an expenditure line item only provides half of the information necessary to calculate the total fiscal effect of planned special events on the municipal or departmental budget. The other half is the amount that the department or city expects to receive from fees and billing for cost recovery.

Depending on the structure of financing and cost recovery methods, the budgeting organization may wish to include costs and receipts together in a net cost line item or present forecasted receipts separately in the budget. For example, a department that recovers costs from event organizers itself must provide the city with a net cost line item for the city budget, in order to avoid billing the city and organizers for the same costs. On the other hand, if the city recovers special events expenditures into the general fund, then the department should submit a gross cost line item to the city, and the department responsible for recovering costs should produce a separate estimate as part of the budgeted revenues.

Estimating recoverable costs is similar to estimating costs. It can be done simply by trending recovered costs as a percentage of gross costs, or be more thorough and include items like the number of events, fee structures, recovery rates, and incidence of fee waivers.

Exhibit 5.2 Itemized Planned Special Events Costs and Budget Line Item

Item	Current Year			Projected		
	Units	Unit Cost	Budget	Units	Unit Cost	Budget
Regular Hours	5,200	\$35.00	\$182,000	5,883	\$35.95	\$211,494
Overtime	10,400	\$52.50	\$546,000	10,545	\$53.92	\$568,586
Fuel	15,600	\$3.60	\$56,160	15,873	\$3.94	\$62,540
Equipment			\$20,800			\$23,310
Total			\$804,960			\$865,930



Fund	Current Year Budget	Projected Budget	Amount Proposed
Parking Enforcement	\$123,000	\$135,000	\$137,000
Road Maintenance	\$1,305,000	\$1,675,000	\$1,700,000
Planned Special Events	\$804,960	\$865,930	\$875,000
Downtown Shuttle Program	\$189,000	\$206,955	\$208,000

Conclusion

A planned special events line item is an excellent way for administrators, politicians, and the general public to account for and acknowledge the costs of events so they can be measured against the benefits they bring to the community. Line items improve expenditure control, provide management accountability, and facilitate evaluation of policy. Including special event costs in a line item ensures that all parties understand the substantial costs that special events have on a community and is a definitive step towards creating a planned special events policy.

Chapter 6: Federal Funding for Planned Special Events

The federal government's role in providing funding for planned special events is generally limited to funding that addresses specific concerns, such as security or air quality. For the most part, this funding does not take the form of cost recovery, but rather is either appropriated by Congress or doled out as part of grants awarded by the Department of Homeland Security (DHS) or the Highway Trust Fund (HTF).

A major portion of the DHS funding is provided for National Special Security Events (NSSE), and in particular, a large amount of funding has been appropriated for the last two cycles of presidential nominating conventions. In addition, some jurisdictions target other general transportation planning grant programs for funds to use for special events. For example, Congestion Mitigation and Air Quality (CMAQ) Improvement Program funds may be used to encourage public transit or bicycle use.

National Special Security Events¹

Major events that are considered to be nationally significant may be designated as National Special Security Events (NSSE). This designation is made by the President, or his representative, the Secretary of the Department of Homeland Security (DHS). From September 1998 through February 2008, there have been 28 events designated as NSSEs. A list of these events is provided in Exhibit 6.1. Some of these events have included presidential inaugurations, presidential nominating conventions, major sports events, and major international meetings. Most of these events involved planning, traffic management and congestion issues and therefore fit within the definition of a planned special event as used in this document.

¹ A major portion of the discussion of National Special Security Events is taken from the Congressional Research Service Report to Congress, "National Special Security Events," authored by Shawn Reese, Analyst in Emergency Management and Homeland Security, Government and Finance Division, Order Code RS22754, updated March 19, 2008.

Exhibit 6.1 NSSE Designated Events— September 1998-January 2008

Event	Location	Date
World Energy Council Meeting	Houston, TX	Sep. 13-17, 1998
NATO 50th Anniversary Celebration	Washington, DC	Apr. 23-25, 1999
World Trade Organization Meeting	Seattle, WA	Nov. 29-Dec. 3, 1999
State of the Union Address	Washington, DC	Jan. 27, 2000
International Monetary Fund Spring Meeting	Washington, DC	Apr. 14-17, 2000
International Naval Review (OpSail)	New York, NY	Jul. 3-9, 2000
Republican National Convention	Philadelphia, PA	Jul. 29-Aug. 4, 2000
Democratic National Convention	Los Angeles, CA	Aug. 14-16, 2000
Presidential Inauguration	Washington, DC	Jan. 20, 2001
Presidential Address to Congress	Washington, DC	Feb. 27, 2001
United Nations General Assembly 56	New York, NY	Nov. 10-16, 2001
State of the Union Address	Washington, DC	Jan. 29, 2002
Super Bowl XXXVI	New Orleans, LA	Feb. 3, 2002
Winter Olympic Games	Salt Lake City, UT	Feb. 8-24, 2002
Super Bowl XXXVII	San Diego, CA	Jan. 26, 2003
State of the Union Address	Washington, DC	Jan. 20, 2004
Super Bowl XXXVIII	Houston, TX	Feb. 1, 2004
Sea Island G8 Summit	Sea Island, GA	Jun. 8-10, 2004
President Reagan State Funeral	Washington, DC	Jun. 11, 2004
Democratic National Convention	Boston, MA	Jul. 26-29, 2004
Republican National Convention	New York, NY	Aug. 30-Sep. 2, 2004
Presidential Inauguration	Washington, DC	Jan. 20, 2005
State of the Union Address	Washington, DC	Feb. 2, 2005
Super Bowl XXXIX	Jacksonville, FL	Feb. 6, 2005
Super Bowl XL	Detroit, MI	Feb. 5, 2006
President Ford State Funeral	Washington, DC	Jan. 3, 2007
Super Bowl XLI	Miami Gardens, FL	Feb. 4, 2007
State of the Union Address	Washington, DC	Jan. 28, 2008

On May 22, 1998, President William J. Clinton issued Presidential Decision Directive 62 (PDD 62), Protection Against Unconventional Threats to the Homeland and Americans Overseas.² PDD 62 established a framework for federal department and agency counter-terrorism programs, which addressed terrorist apprehension and prosecution, increased transportation security, enhanced emergency response, and enhanced cyber security.

On December 19, 2000, Congress enacted P.L. 106-544, the Presidential Threat Protection Act of 2000, and authorized the U.S. Secret Service (USSS), when directed by the President, to plan, coordinate, and implement security operations at special events of national significance. The special events were entitled National Special Security Events (NSSEs). Prior to the establishment of DHS in January 2003, the President determined what events of national significance were

² Presidential Decision Directive 62 is classified. The White House issued a fact sheet abstract about it, and the Federation of American Scientists has posted an "unclassified abstract" said to be "derived from" PDD 62, available at <http://www.fas.org/irp/offdocs/pdd-62.htm>.

designated as NSSEs. Since the establishment of the department, the DHS Secretary, as the President’s representative, has had the responsibility to designate NSSEs. NSSE designation factors include:

- Anticipated attendance by U.S. officials and foreign dignitaries
- Size of the event
- Significance of the event

State and Local Government Involvement

When an event is designated an NSSE, USSS becomes the lead federal agency in developing, exercising, and implementing security operations. The goal of these security operations is to “develop and implement a seamless security plan that will create a safe and secure environment for the general public, event participants, Secret Service protectees, and other dignitaries.”³

The USSS’s Major Events Division (MED) is responsible for NSSE planning and coordinates with other USSS headquarters and field offices. Some of the coordination includes advance planning and liaison for venue and air space security, training, communications, and security credentialing. Additionally, MED coordinates and conducts liaisons with other federal, state, and local agencies—primarily law enforcement entities.

NSSE security is planned, exercised, and implemented through a unified command model that is comprised of representatives of participating federal, state, and local agencies with NSSE responsibilities. During the NSSE’s planning phase, each participating agency is tasked according to their expertise or jurisdictional responsibility. USSS states that “with the support of hundreds of federal, state, and local law enforcement and public safety organizations, each of these events has successfully concluded without any major incidents.”⁴

NSSE operational plans include the use of physical infrastructure security fencing, barricades, special access accreditation badges, K-9 teams, and other security technologies. Specific teams and groupings of teams are designed for each event based on coordination with other federal entities, state and local jurisdictions, available local resources, and mutual aid agreements. Additionally, USSS sponsors training seminars for command-level federal, state, and local law enforcement and public safety officials to provide principles for managing security at major events and strategies for reducing vulnerabilities related to terrorism.⁵

³ U.S. Department of Homeland Security, U.S. Secret Service, Office of Legislative Affairs, “National Special Security Events: Meeting the Counter-Terrorism Challenge,” Washington, 2006. This document is only available by contacting the U.S. Secret Service’s Office of Legislative Affairs.

⁴ U.S. Department of Homeland Security, U.S. Secret Service, Office of Legislative Affairs, “National Special Security Events: Meeting the Counter-Terrorism Challenge,” Washington, 2006. This document is only available by contacting the U.S. Secret Service’s Office of Legislative Affairs.

⁵ U.S. Department of Homeland Security, Office of the Press Secretary, “National Special Security Events Fact Sheet,” July 9, 2003, available at http://www.dhs.gov/xnews/releases/press_release_0207.shtm.

General NSSE Funding

Even though NSSEs have been conducted since 1998, Congress has only appropriated funding specifically for a general NSSE fund since FY2006. According to the CRS report, federal funding for NSSE costs incurred by federal, state, and local entities is one issue that Congress may wish to address.⁶ In FY2008, Congress appropriated \$1 million for NSSE costs within the Secret Service.

The CRS report also noted that the \$1 million Congress has appropriated for NSSEs in FY2008 may not be adequate to fund unexpected NSSE expenditures, such as the funeral of a former President. The amount appropriated could be additionally problematic considering that the Secret Service is not authorized to reimburse state and local law enforcement entities' overtime costs associated with NSSEs. According to the CRS report, Congress might consider establishing a program within Secret Service that not only provides the agency with additional funds for unexpected NSSE security costs, but also authorizes the Secret Service to reimburse state and local law enforcement entities for security costs.

Funding for Presidential Nominating Conventions

Two sources of federal funds support different aspects of presidential nominating conventions. First, funds for convention operations come from the Presidential Election Campaign Fund (PECF), which provides financial assistance to publicly financed presidential candidates. Amounts in the PECF are determined by "checkoff" designations on individuals' federal income tax returns. Federal law permitted the two major parties' conventions to receive grants of \$16.8 million for the 2008 election cycle (an inflation-adjusted base amount of \$4 million each).⁷ These grants were awarded to the relevant party's convention committee. Qualifying convention committees are not obligated to accept PECF funds, but doing so is standard practice. Third parties are eligible for limited public convention funds, but they rarely qualify.

Federal law places relatively few restrictions on how PECF convention funds are spent, as long as purchases are lawful and are used to "defray expenses incurred with respect to a presidential nominating convention." FEC regulations provide additional guidance on permissible and prohibited spending. Per FEC regulations, permissible PECF convention expenses include items such as:

- "Preparing, maintaining, and dismantling" the convention site
- Personnel and staff expenses (including bonuses)
- Convention operations and planning
- Security
- Transportation
- Certain entertainment
- Administrative items (*e.g.*, office supplies)
- Gifts for convention staff or volunteers, limited to \$150/person or \$20,000 total

⁶ Congressional Research Service Report to Congress, "National Special Security Events," authored by Shawn Reese, Analyst in Emergency Management and Homeland Security, Government and Finance Division, Order Code RS22754, updated March 19, 2008.

⁷ PECF data appears in U.S. Treasury Department, Financial Management Service, "Disbursements From the Presidential Election Campaign Fund and Related Payments," July 31, 2008.

- Production of candidate biographical films
- Investment of PECF funds if the profits are to be used to defray convention costs

Several of these costs could be considered part of the recoverable costs of a planned special event.

The second source of federal convention funds come through the Office of Justice Programs (OJP), within the Department of Justice (DOJ). This OJP funding has only been available in FY2004 and FY2008. In 2004, Congress appropriated \$100 million, through DOJ, for the Democratic and Republican presidential nominating conventions in Boston and New York City.⁸ More recently, Congress appropriated \$100 million for the Democratic and Republican presidential nominating convention security in Denver and Minneapolis-St. Paul, respectively.⁹ In 2008, the \$100 million is to be administered through OJP's Edward Byrne Memorial State and Local Law Enforcement Assistance Programs. According to the CRS report, DOJ uses most of this funding to reimburse state and local law enforcement entities for overtime costs associated with convention security.¹⁰

DHS Security Funding Grants

State and local jurisdictions can use DHS grants, such as the State Homeland Security Grant Program (SHSGP) and the Urban Area Security Initiative (UASI), for security activities, including planned special events. The grant approval process for these programs is not flexible, and states and localities would need to plan funding annually in their grant applications. For unexpected NSSEs, which may be the result of an unexpected death of a President or a change in location of a planned event, states and localities are unable to plan in advance for these grants. DHS does authorize states and localities to reprogram SHSGP and UASI funding with the DHS Secretary's approval; however, that may result in states and localities not funding other planned homeland security activities.

The Homeland Security Grant Program Guidance and Application Kit has an appendix that provides additional information on allowable expenses for planning training and exercise activities under the heading "Special Event Planning." This section describes how states or urban areas hosting an upcoming special event can use federal funding to finance training and exercise activities in preparation for that event. The Kit notes that:

"If a State or Urban Area will be hosting an upcoming special event (e.g., Super Bowl, G-8 Summit); they anticipate participating in a Tier 2 National-Level Exercise as defined by the National Exercise Program Implementation Plan (NEP I-Plan); or they anticipate that they will apply to be a venue for a Tier 1 National-Level Exercise, as defined by the I-Plan, they should plan to use SHSP or UASI funding to finance training and exercise activities in preparation for that event. States and Urban Areas should also consider exercises at major venues (e.g., arenas, convention centers) that focus on evacuations,

⁸ In P.L. 108-287, An Act Making Appropriations for the Department of Defense for the Fiscal Year Ending September 30, 2005, and For Other Purposes, Sec. 11002, Congress appropriated \$25 million for Boston and \$25 million for New York City presidential nominating convention security. In P.L. 108-199, An Act Making Appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies for the Fiscal Year Ending September 30, 2004, and For Other Purposes, Sec. 103, Congress appropriated an additional \$50 million for the 2004 presidential nominating conventions.

⁹ P.L. 110-161, Div. B, Title II.

¹⁰ U.S. Department of Homeland Security, U.S. Secret Service, Office of Legislative Affairs, Anthony Lawrence, conversation with the author on August 9, 2007.

communications, and command and control. States should also anticipate participating in at least one Regional Exercise annually. States must include all confirmed or planned special events in the Multi-year Training and Exercise Plan.”¹¹

In summary, these DHS grant programs are only for specific types of events, generally only cover security related costs, and must be applied for in advance.

Funding From General Transportation Planning Sources

Funds from the Congestion Mitigation and Air Quality (CMAQ) Improvement Program, often referred to as the “funding arm” of the Clean Air Act, are available “for surface transportation and other related projects that contribute to air quality improvements and reduce congestion.”¹² CMAQ funds can be used for certain congestion mitigating activities performed as part of special event planning. These funds are a good option for cost-recovering certain transit planning expenses, an activity which is rarely billed directly to event organizers since it is part of the planning rather than the operations phase. Programs that promote bicycling and walking as a means of transportation are also eligible for CMAQ funds. Eligible bicycle programs “may include the creation of trails, storage facilities, and marketing efforts designed to support bicycles as a form of transportation.”¹³ Special event transportation planning is often spread between multiple departments and agencies. Funds for CMAQ may support an office that, for example, promotes alternative transportation to work in addition to promoting alternative transportation for planned special events.

CMAQ funds require a state or local match, typically 20 percent of the proposed project expense. CMAQ funding consists of a basic authorization which is based on population and EPA's severity classification for ozone and carbon monoxide air pollution and distributed at the state level. For each state, this basic authorization is guaranteed to be a minimum of 90.5 percent of the funds that are paid into the Highway Trust Fund (HTF). Funds are apportioned to State DOTs on an annual basis and remain available for four years, during which they may be "obligated" or dedicated, to specific CMAQ projects. However, CMAQ funds are only released as reimbursement payments for completed work, and unused funds lapse at the end of the four year availability period. After four years, these funds are no longer available for use by the state.¹⁴

The Washington, D.C. Transportation Policy and Planning Administration, a part of DDOT, uses CMAQ funds to promote bicycling, walking, and public transit options for planned special events. The Administration collaborates with event organizers to aid them in advertising and offering alternative methods of transportation. The city also maintains a website, goDcgo.com, which has information on upcoming special events and provides detailed maps, including bike trails and bus/rail routes, to aid event attendees.

¹¹ U.S. Department Of Homeland Security, Fiscal Year 2008 Homeland Security Grant Program Guidance and Application Kit, February 2008, p. C-9.

¹² <http://www.fhwa.dot.gov/environment/cmaqpgs/>

¹³ <http://www.fhwa.dot.gov/environment/cmaqpgs/>

¹⁴ <http://www.fhwa.dot.gov/environment/cmaqpgs/>

Glossary

Activity-Based Costing—A method of allocating indirect costs in which the cost of resources consumed is assigned to the activity consuming the resource.

Asset Management—The practice of taking a comprehensive view of the entire portfolio of resources available in order to achieve system-wide agency goals at optimal cost benefit. This includes the ability to show how, when, and why resources were committed.

Cost Analysis—The gathering of various cost tracking information to prepare reports which can be reviewed to determine the nature and relationship of the cost elements.

Cost Driver—The activity that is the best indicator of cost.

Cost Management—Effective, overarching control of an organization's finances across multiple stages.

Cost Objective—A cost objective, also called the cost object or cost target, is the good or service being provided. All costs should be assigned to cost objectives. Costs are allocated to the cost objectives that benefit most from incurring the cost.

Cost Planning—Activities such as cost estimating, forecasting, and budgeting.

Cost Recovery—Charging users of a service for that service, rather than the organization absorbing the cost.

Cost Tracking—Following the costs of various activities through the cost management system, relying upon the use of discrete coding of activities and their associated costs. Discrete coding includes methods such as time collection (the use of personnel time sheets) and expense accumulation.

Direct Costs—Costs that are directly linked to a specific service, activity, or department. Direct costs can be identified specifically with a particular final cost objective.

Fixed Cost—Costs that do not vary with increases and decreases in activity.

Indirect Costs—Costs that are not directly linked to a specific service, activity or department. Indirect costs are incurred for a common or joint purpose and may either benefit more than one cost objective or not be readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved.

Mixed or Semi Variable Cost—Costs that contain both a variable cost element and a fixed cost element. These costs may vary incrementally with increases and decreases in activity.

Resource Utilization— Examining resources to ensure optimal allocation. Restructuring shifts so that police work fewer overtime hours is an example of resource utilization.

Variable Costs—Costs that vary with increases and decreases in activity.

Cost Pool- The accumulation of costs whose total is allocated using one allocation base, such as a cost driver.

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Planned Special Events:

Cost Management and Cost Recovery Primer

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