# Legislation Details (With Text)

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| **File #:** | 22-733 **Version:** 1 | | |
| **Type:** | Administrative Items | **Status:** | Passed |
| **File created:** | 8/24/2022 | **In control:** | City Council/Public Financing Authority |
| **On agenda:** | 9/6/2022 | **Final action:** | 9/6/2022 |
| **Title:** | Consider a request from Pacific Airshow event organizer, Code Four, to approve a subsidy for the September 30 through October 1, 2022 event, as well as a deferred payment schedule for fees and charges due to the City | | |
| **Attachments:** | 1. 9/6/22 Supp Comm - PPT | | |

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|
| 9/6/2022 | 1 | City Council/Public Financing Authority | approved | Pass |

## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Mayor and City Council Members

**SUBMITTED BY:** Al Zelinka, City Manager

**VIA:** Chris Slama, Director of Community & Library Services

**PREPARED BY:** Chris Slama, Director of Community & Library Services

**Subject:**

**Consider a request from Pacific Airshow event organizer, Code Four, to approve a subsidy for the September 30 through October 1, 2022 event, as well as a deferred payment schedule for fees and charges due to the City**

**Statement of Issue:**

The City of Huntington Beach has been contacted by Code Four, the event organizer of the Pacific Airshow, requesting a subsidy be approved as part of the permitting process, as well as a deferred schedule for payment of fees and charges due to the City.

**Financial Impact:**

The proposed subsidy could be similar to the past City Council-approved amount of up to $110,000, which is based on a share of the actual parking and HB RV Campground revenues collected during the three-day event and would be used to offset a portion of the direct event staffing costs.

Preliminary analysis indicates that the estimated 2022 airshow direct event staffing costs for Police, Fire, Marine Safety, and Public Works total $134,366. Please note that this amount is an estimate and that final costs may fluctuate based on the actual staffing needs during the event.

In addition to the $134,366 in staffing costs, Code Four expenses due to the City include $17,797 for various permit fees, $40,800 in estimated reserved parking space charges used for event production

staging and VIP purposes (240 spaces x 17 days x $10), and $64,000 for reserved HB RV Campground sites to be sold and packaged by the organizer (40 sites x $1,600), totaling $256,963.

Approval of a subsidy of up to $110,000 would reduce Code Four's bottom line costs from $256,963 to $146,963 as has been approved by City Council in prior years to offset direct staffing event costs.

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| **Original Amount** | **$256,963** | **Owed to City by Code Four** |
| Less | $110,000 | Share of Parking Revenue Subsidy |
| **Adjusted Amount** | **$146,963** | **Reduced Amount (with Subsidy)** |

Should the City Council decide to approve the $110,000 maximum subsidy, the General Fund would lose that same amount in potential revenue for the three-day event. However, at the same time, it should be understood that prior to the event, typical pre-airshow parking revenues during similar weekends average $41,000. Therefore, while the General Fund would lose up to $110,000 in estimated revenue, a potential gain of $42,532 (over and above the pre-airshow typical weekend) is possible depending on actual revenues, even if a subsidy of up to $110,000 is approved as shown below.

| | | |
|---|---|---|
| **2022 Event** | $193,532 | Estimated Event Parking & HB RV Camping Revenue |
| Less | $ 41,000 | Average Pre-Airshow Parking |
| Less | $110,000 | Maximum Parking Share Subsidy |
| **Balance** | **$ 42,532** | **Potential General Fund Gain** |

Code Four is also requesting a deferred schedule for payment of fees and charges due to the City. Per Section 13.54 of the Huntington Beach Municipal Code relating to Specific Events, all direct costs for any event, including staffing, operational set-up and tear-down fees, as well as various permit and reserved parking space charges, are to be paid by the organizer at least 30 days prior to the event date.

## Recommended Action:

A) Consider Code Four's request for a subsidy, and based on previous approvals, grant up to $110,000 in parking and camping revenue for the 2022 event to cover a portion of direct staffing expenses and direct staff to transfer said amount; **AND/OR**,

B) Consider Code Four's request to delay the portion of the fees and charges due related to direct City event staffing and auto parking spaces, to be invoiced to Code Four following reconciliation of actual costs and due to the City by November 15, 2022. Require payment of the $17,797 in permit fees and $64,000 in HB RV Campground site revenue prior to the event per the Huntington Beach Municipal Code; **OR**,

C) Deny Code Four's subsidy request and direct staff to require full payment of all fees, charges, and HB RV Campground site revenue in the amount of $256,963 no later than September 23, 2022.

D) Provide any direction City Council deems appropriate regarding financial support of future air show events.

## Alternative Action(s):

Do not approve the recommended actions and consider alternative options.

## Analysis:

History of the Pacific Airshow

In 2016, the inaugural year of the Airshow, the City Council adopted Resolution No. 2016-65, which allowed for the increase of parking fees to help offset direct staffing costs owed by the event organizer. In 2017, the City Council adopted Resolution No. 2017-44, which once again temporarily raised parking rates in the south beach lots and the main Promenade Parking Structure to generate additional revenues to be used in support of the event. In 2018, the City Council adopted Resolution No. 2018-48, which made the parking rate modifications for the Airshow permanent. In 2019, the City Council unanimously approved the parking offset "subsidy" to no more than $110,000. This amount was contingent on actual parking revenues.

The 2022 event will be the sixth year the City hosted an airshow and the fourth year that Code Four will be the organizer of the event. Each year Code Four has requested that the City waive related permit fees and provide a parking subsidy to reduce their event costs. To date, the City has waived $86,425 in permit related fees and provided $296,094 in parking offset revenues. This includes approximately 200+ reserved parking spaces each year at no cost to utilize for both set-up and staging areas, as well as event related VIP and production staff parking.

Code Four's reasons for their waiver requests focus on the direct economic benefits that the City receives on a community-wide basis, as well as the international recognition Huntington Beach receives as a destination airshow for people who know (and fly in) airshows.

The table below provides detailed information regarding anticipated Code Four expenses. As shown, without any fee waivers or subsidies, Code Four owes the City $256,963 in estimated expenses. If a $110,000 maximum subsidy is approved by the City Council, Code Four expenses will be reduced from $256,963 to $146,963, with the $110,000 being applied to the estimated direct staffing costs since these costs fluctuate based on actual event needs.

**CODE FOUR ORGANIZER ESTIMATED EXPENSES**

| **Permit Fees** | |
|---|---|
| Application Fee | $ 450 |
| Daily Set-Up/Take-Down Fee | $ 9,450 |
| Permit Fee | $ 4,050 |
| Pollution Prevention | $ 400 |
| Main Street Banners | $ 657 |
| Pennant Banners | $ 2,790 |
| **Subtotal** | **$17,797** |

| **Estimated Direct Event Staffing Costs** | |
|---|---|
| Police | $ 48,000 |
| Fire | $ 9,876 |
| Beach Maintenance | $ 5,768 |
| Marine Safety | $ 69,990 |
| Public Works/ Electrician | $ 732 |
| **Subtotal** | **$134,366** |

**Estimated Reserved Event Parking Space Fees**

| | |
|---|---|
| Estimated 240 spaces @ $10 x 1 | $ 40,800 |
| **Subtotal** | **$ 40,800** |

**HB RV Campground Sites**

| | |
|---|---|
| 40 RV sites x $1,600 | $ 64,000 |
| **Subtotal** | **$ 64,000** |

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| **TOTAL AMOUNT OWED** | **$256,963** |
| **Less up to maximum $110,000** | **$110,000** |
| **ADJUSTED TOTAL AMOUNT C** | **$146,963** |

In conclusion and as part of the deliberation and decision making process, staff is recommending that regardless of the final actions taken by the City Council regarding this request, that at a minimum, Code Four pay the $17,797 in permit fees and the $64,000 in HB RV Campground sites by September 15, 2022. Under this scenario, the balance of fees and charges will be billed within 30 days after the event and Code Four would be required to pay all final amounts by November 15, 2022.

Also, it should be noted that the maximum $110,000 shared parking subsidy discussed in this staff report is associated with the 2022 event only. Therefore, should the City desire to continue to host the Pacific Airshow event in future years, City Council may also wish to make clear via this action or its comments under what circumstances, if any, the City would entertain further support for 2023 and beyond.

**Environmental Status:**
Not applicable.

**Strategic Plan Goal:**
Non Applicable - Administrative Item

**Attachment(s):**
Not applicable.