



**August 28, 2017**

**Memo to: City Council**  
**From: Brian Carlson, Finance Director**  
**Re: 2018 Budget Topic: CSOs and Events**

**SUMMARY:**

Council sets the annual appropriation for Community Service Organizations (“CSOs”) and Events. In 2017 these appropriations were \$2.4MM and \$306K, respectively, which is approximately 7% of the City’s overall operating budget.

Council has indicated a desire to set limits on these appropriations. Staff has composed this report as a first-step in understanding the data and the impact to operations, and offering possible models for future appropriations.

**BACKGROUND:**

- CSOs are comprised of approximately twelve recipient groups (*see attachment: CSO Analysis*). They complete a lengthy application each year, which is typically forwarded directly to Council as submitted, rather than being amended by the City Manager. Council typically sets the appropriation during the related workshop.
- CSOs receiving more than \$100K are required to complete an independent financial audit.
- Events requests and applications are overseen by the Events Coordinator within the Parks and Recreation Department. Their requests commonly include both cash and in-kind support, such as equipment and operators, use of facilities, crowd and traffic control, etc.
- The 2017 Events appropriation of \$306K included \$125K for the World Extreme Skiing event, which was subsequently cancelled.

**ANALYSIS:**

- Since 2012, CSOs have grown by over \$800K, from \$1.5MM to \$2.4MM. They have grown as a percentage of operations from 5% to over 7%. (*See attachment*)
- The Audit requirement typically costs the CSO \$8K to \$15K, which is then likely embedded in the funding request, i.e. the cost is likely passed-through to the City.
- Events cash outlays have grown from \$81K to over \$180K (excluding the cancelled 2017 World Extreme Skiing event).

- Events represent a small cash outlay, but a large **in-kind commitment**. This commitment is imposed on most departments in varying amounts, and entails an *opportunity cost* at the department level, i.e. *doing in-kind work means departments are NOT doing their regular tasks*. The in-kind component is not well quantified and is therefore invisible in the budget process. However, **the impact to department operations is significant**.

### **CONCLUSION / RECOMMENDATIONS:**

- Finance Staff proposes a change to the CSO workshop presentation. Rather than printing and distributing all of the application materials, a single, consolidated report summarizing the CSO application data, calling out any changes, anomalies, or other content that is relevant to Council's decision, could be distributed.
- Council has discussed a formula-driven limit to CSO appropriations. If such a method is intended for 2018, staff would like to factor this into the workshop presentation. Limits could be set by:
  - Dollar cap
  - Set rate of increase or decrease over time
  - Percentage of Revenues, Expenses, or any subset thereof
- Staff (multiple departments) is in favor of modifying the Events request process to include detailed in-kind requests. This would serve multiple objectives, including:
  - Quantifying the time and expense of providing in-kind services
  - Compiling requests well in advance of events and distributing to affected departments
  - Giving Council and Departments a data-driven basis for establishing limits to in-kind services

### **ATTACHMENTS:**

*CSO Analysis.pdf*