



City of Richmond

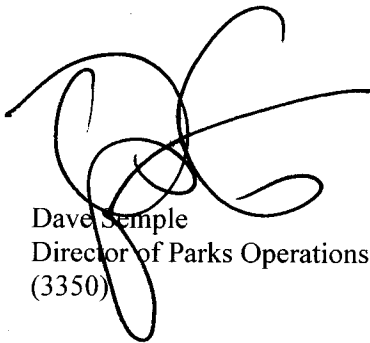
Report to Committee

To: General Purposes Committee
From: Dave Semple
 Director of Parks Operations
Re: Tall Ships 2005

Date: November 19, 2003
File: 7200-01

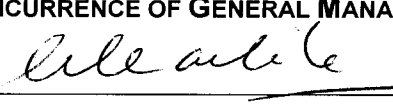
Staff Recommendation

That this report be received for information.



Dave Semple
 Director of Parks Operations
 (3350)

Att. 1
 DS:mer

FOR ORIGINATING DIVISION USE ONLY		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Public Works.....	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>	
Budgets	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>	
Recreation & Cultural Services	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>	

Staff Report

Origin

At the October 14, 2003 Regular Council Meeting resolution R03/18-2 staff received the following referral:

That the "Business Plan - Richmond Tall Ships Challenge® 2005" be referred to staff for discussion with the Richmond Tall Ships Festival Society as to whether the Society could produce an event based on a total City contribution of \$250,000 in identified, defined and controlled in kind contributions, without cash or further liability, and that staff examine how they see the event occurring three, six and nine years after the 2005 event.

The purpose of this report is in response to this referral.

Analysis

Following the presentation from the Richmond Tall Ships Festival Society to General Purpose Committee staff met with the Richmond Tall Ships Festival Society to review the business plan and discussed the viability of hosting the 2005 Tall Ships Festival in Richmond at a \$250,000 contribution level.

The attached report (Attachment 1) from the Richmond Tall Ships Festival Society (RTSFS) outlines an adjusted budget scenario for hosting the proposed 2005 event with a City contribution reduced from the original request at \$350,000 in-kind, and \$150,000 cash to a \$250,000 level.

\$250,000 Impact

The RTSFS has indicated in Attachment 1 that a reduction of City financial support to the event from the requested \$500,000 to \$250,000 and assumption of the underwriting for any financial risk would make it impossible for the RTSFS to facilitate event.

Staff have had an opportunity to explore this further with the RTSFS and would agree that without major restructuring of the event and a complete change in the festival, the event would not be feasible.

In particular, analysis of the proposed \$250,000 budget from the RTSFS would represent approximately \$70,000 direct contract costs not provided by City forces including but not limited to: ambulance, fireboat, insurance, communications, and sanitation, with the remaining \$185,000 being an additional level to the operating budget proposed to be completed by City forces. Additional staff to support the event from the in-kind contributions will be required to support the event in order to maintain regular operational levels.

\$350,000 Impact

The RTSFS has also presented in Attachment 1 a \$350,000 budget scenario for consideration by Council. In this scenario, the RTSFS proposes direct contract costs to be covered by the City at \$115,000, and in-kind, or 2005 additional operating budget level costs at \$235,000 for City related work.

Analysis of this scenario would include \$115,000 direct contract costs for: ambulance, fireboat, insurance, communications, and sanitation as third-party costs to the City with a \$235,000 additional level 2005 operating budget impact for City related work. Additional staff to support the event from the in-kind contributions will be required to support the event in order to maintain regular operational levels.

General Comments

In reviewing each of the RTSFS requests at the \$500,000, \$350,000 and \$250,000 levels, staff have noted specific areas of concern which are detailed below:

- **Financial Risk** - In discussion with the RTSFS it is understood that this would be the only amount of support the City would provide, and that they would assume all financial risk for the event other than the proposed City contribution of \$350,000 in-kind and direct costs. It should be noted that the RTSFS has concerns with potential Emergency cost-overruns however, staff believe that this risk should be part of the RTSFS willingness to underwrite all cost overruns of the event.
- **Insurance** - The RTSFS has indicated a budget amount of \$20,000 from the City - direct costs to be dedicated towards insurance. Staff believe that for a comprehensive third-party liability event policy, the premium may be low unless the RTSFS has a very high deductible in place. It should be noted that the City currently carries a \$1,000,000 deductible for this type of liability today.
- **Dredging** - the cost for dredging has increased significantly since 2002. In some cases it has doubled in price. The Society will need to address this issue, especially in dealing with deep, draft vessels.
- **Support** - Steveston Harbour Authority; Fraser Port Authority and Government Agencies all have not yet indicated support. RTSFS is looking for an increase of approximately \$800,000 from other governmental agencies. At this time Steveston Harbour Authority have not given formal support to the project yet.
- **Other Tall Ships Festival Events in 2005** -- Two other cities on the BC Coast have indicated they wish to host tall ships events in 2005.
- **Closed Venue Sites** - In 2005 a General Revenue charge would apply to get into the sites and additional charges to board the ships. Consideration may need to be given to the community who may wish to observe the ships without boarding. Closing the sites from the public may not be well received.
- **Public Endorsement** – Comments from RTSFS “In addition to the \$350,000 of in kind support the Society can only proceed if the City of Richmond shows strong public endorsement and support for the concept of a closed site that has been described in the Society’s Business Plan for the Tall Ship event in 2005. Without demonstration of this support a key area of revenue is deemed to be at risk and the Society will not move forward with the event.”
- **Staff Capacity /Consultants** - The original report discusses replacing the 17,000+ hours of staff time through use of consultants and volunteers. This will be a very ambitious undertaking.
- **Inflation and Salary Costs** – Police, Fire and Ambulance costs could increase by over 7% by the time this event takes place in 2005. This will need to be accounted for by the RTSFS. Staff believe there is a potential 2% gap at this time.
- **Police, Fire and Ambulance Funding** - the proposed budgets are very conservative, detailed below are comments from the Society. Staff believe that this is a planned event and that the RTSFS should establish a contingency to cover such unexpected financial implications. In the RTSFS’ report the Chairman noted:

“During the tight time frame for the development the Business Plan, interviews with City or RCMP emergency services staff were not possible. As a result, the amounts shown do not include the impacts of their recommendations (if any) for 2005. While a 5% inflation factor has been added to the emergency services, no other adjustments have been made to this budget line. The Society will work with the City to formulate the emergency services plan, and endeavour to work within the presented budget. The Society will not assume responsibilities for any over runs above the amount listed in the budget that may occur in the areas of emergency services.”

- **Long Term Strategy, Society Commitment to Future Events** - Council also asked staff to look at a long term strategy to host a Tall Ships event occurring three, six and nine years after the 2005 event (in 2008, 2011 and 2014). If Council and the Society proceed with an event in 2005 this can be the foundation for understanding what costs will be associated with the event. A successful event in 2005 would establish the baseline for future events.

Given the above comments and concerns, there are numerous issues in dealing with the event before 2005 which will be extremely difficult to overcome by the Society.

Options For Funding

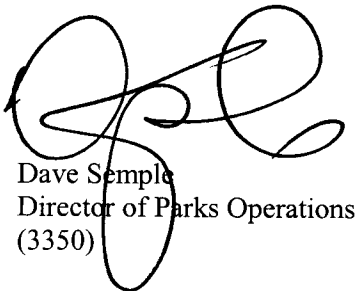
- Option 1: Provide no funding. Allow the event to go elsewhere.
- Option 2: Provide \$250,000 contribution to the Richmond Tall Ships Festival Society in 2005. A detailed contribution agreement will need to be developed. (The Society has already indicated they will not participate in the event if this is Council's recommendation.)
- Option 3: Provide \$350,000 contribution to the Richmond Tall Ships Festival Society in 2005. This will be developed into a contribution agreement for 2005.
- Option 4: Provide the original request amount of \$350,000 in kind, plus \$150,000 in cash.

Financial Impact

Proceeding with any of the options detailed within this report - \$500,000, \$350,000, or \$250,000 would require pre-approval for the 2005 operating budget as a one time only expense. Sources of funding are to be determined by Finance.

Conclusion

This report has presented an analysis of the concerns and potential obstacles associated with the RTSFS request for event funding.



Dave Semple
Director of Parks Operations
(3350)

Richmond Tall Ships Festival Society
 c/o Henderson Livingston Stewart
 12011 Third Ave.,
 Richmond BC V7E 3K1

**RICHMOND TALL SHIPS
 FESTIVAL SOCIETY**

Dave Semple
 Director of Parks
 City of Richmond
 By Fax

Janice Podmore
 Acting Chair

October 23, 2005.

Captain Tom Corsie
 Fraser River Port
 Authority

Dear Dave,

RE: RICHMOND TALL SHIPS CHALLENGER BUDGET ADJUSTMENTS

Barry Coulson
 Chartered Accountant

Please find attached the detailed list of contributions requested by Council that shows the impact of reducing the City's contributions from \$500K (\$350K in-kind plus \$150K) to \$250 in-kind. Also included is our recommendation of a City contribution of \$350K with a listing the types of in-kind contributions.

Julie Halfnights
 Thompson Community
 Centre

Bryan Johnstone
 RBC Financial Group

The Tall Ship Festival Society is well aware of the concerns of Council, and has worked diligently to put forward this thoughtful and financially prudent proposal.

ADVISORS

Please understand that this reduced proposition for \$350K of in-kind support from the City of Richmond is not the Society's preferred recommendation.

Alan Brain
 Brain Communications

The original request for \$500K presented this month confirmed what Staff presented to Council in early March of 2003. At that time Staff proposed a number of options for the continuation of the Tall Ships in 2005:

Pam Brain
 Brain Communications

1. Partnership agreement with non-profit society, approx. cost \$500,000
2. Partnership with Steveston Coalition, approx. cost \$500,000
3. Private sector operator (no sponsor available), no cost
4. Fee-for-service group, cost \$200-300K plus emergency services, office space, and coverage of any shortfall.

Roderick Henderson
 Henderson Livingston
 Stewart

Rob Tivy
 Tourism Richmond

The Council chose to the 1st option but adjusted the Staff's recommendation to, "encourage the development of a non-profit society" to host the 2005 event - one that was assumed came with the recommended \$500K of the support needed to bring a successful event to Richmond. On this basis a Tall Ships Steering Committee was formed

and planning for the 2005 event began.

The Society feels that the Staff was correct, and that the best event, with the best outcome for all of Richmond, the Society, the hundreds of thousands of visitors and the volunteers, is one that has the \$500K of funding the City originally requested. While the reduced option will work, it does create more financial risk.

Since the original report by staff was developed in February 2002, much as been accomplished ;

- Late March 2003, Council approved the new resolution,
- May, 2003 Event Guide completed and submitted to City Hall with request for funding,
- June, Steering Committee requested \$37,000 for the development of a Business Plan. Council approved \$25,000 of matching funds be allocated for the development of a Business Plan,
- June/July 2002, a fundraising program was developed to solicit matching funds,
- July, non-profit society application completed and submitted,
- July, Society formed,
- July / August, total of \$62,500 dollars raised, consultations with various community and sponsor groups,
- Early August, request for approvals to sign ASTA contract made to Staff and Mayor,
- Early August, requests for proposals for Business Plan submitted,
- Mid August, Panther Management contracted to produce Business Plan,
- Late August, fundraising stopped at \$62,500 pending outcome of ASTA request,
- Late September, Business Plan complete,
- Early October, Business Plan, and request for permission to sign the ASTA agreement submitted to City Hall, request for funding submitted,
- October request to General Purposes for permission to sign ASTA agreement, sent to staff for referral, pending
- October, contribution of \$250,000 of inkind recommended subject to staff report, pending
- October, refined request to show \$350K inkind submitted.

I list all of these activities because I am very proud to be part of a group that has volunteered such enormous time, talent and tremendous energy to bring together an outstanding public project that significantly reduces the City's financial involvement and risk experienced in 2002.

We all know that bringing the Tall Ships back to Richmond is an ambitious undertaking that requires not only the commitment of the Society, but of our Council, our generous sponsors, the entire community and our two thousand+ volunteers.

We also know the reward we'll all receive is knowing that we can, together, make a tall difference to this community. We can create an international 'icon' event that changes people's perceptions of Richmond, we can put the City on an even bigger map bringing immeasurable exposure, new economic opportunities as well as new opportunities for our young people. Best of all, we can build enormous community pride and goodwill in this island city.

When these ships enter our waters in the summer of 2005, they will come representing the history of our entire coast, our people, our province and country.

The Richmond Tall Ships Festival Society is working hard to bring the ships back to Richmond. If this is not to be, we fervently hope that these magnificent international ambassadors find warm and welcoming harbours here in Canada, on Vancouver Island and along our mainland coast.

Thank you all the hard work and encouragement you have provided. It is our hope that together we can make the dreams of the Tall Ships in 2005 come true. Sincerely,



Janice Podmore
RICHMOND TALL SHIPS FESTIVAL SOCIETY

CC Richmond Tall Ships Festival Society

ENCLOSURE

THANK YOU TO OUR TALL SHIPS 2005 CHARTER SPONSORS!

Brain Communications
Concert Properties
Great Canadian Casinos
London Drugs
Tourism Richmond

City of Richmond
Fraser River Port Authority
Henderson Livingston Stewart
Richmond Centre
Vancouver Sun and the Province

IMPACTS TO THE RICHMOND TALL SHIPS 2005 BUDGET IF CITY SUPPORT IS AT THE \$250,000 INKIND LEVEL

The Richmond Tall Ships Festival Society will withdraw its support for hosting the Richmond Tall Ship Challenge[®] in 2005

IMPACTS TO THE RICHMOND TALL SHIPS 2005 BUDGET IF CITY SUPPORT IS AT THE \$350,000 INKIND LEVEL – NO CASH

1. Numbers show priority for events/program reinstatement if alternate funds were secured.
2. Support for the Richmond Tall Ship 2005 event at the \$350,000 level could allow the Society to proceed with the event if alternate funding and consideration for underwriting is secured in a timely manner.
3. In addition to the \$350,000 of in-kind support the Society can only proceed if the City of Richmond shows **strong public endorsement and support for the concept of a closed site that has been described in the Society's Business Plan for the Tall Ship event in 2005**. Without demonstration of this support a key area of revenue is deemed to be at risk and the Society will not move forward with the event (see Business Plan page 35).
4. The amounts estimated for city support has been developed with the City Staff and are based on actuals from the 2002 event. These figures take into account recommendations from Staff and 2002 volunteers and are adjusted for inflation.
5. The Society believes the budget numbers should only reflect new costs to the city's taxpayers.
6. During the tight time frame for the development of the Business Plan, interviews with City or RCMP emergency services Staff were not possible. As a result, the amounts shown do not include the impacts of their recommendations (if any) for 2005. While a 5% inflation factor has been added to the emergency services, no other adjustments have been made to this budget line. The society will work with the City to formulate the emergency services plan, and endeavour to work within the presented budget. The Society **will not assume responsibilities** for any over runs above the amount listed in the budget that may occur in the areas of emergency services.

IMPACTS TO TALL SHIPS 2005 BUDGET - NO CASH, \$350K OR \$250K

BUDGET AREA	\$ AMOUNT Eliminated	CITY INKIND 350,000 level	CITY INKIND 250,000 level	IMPACT ON EVENT
Police, Fire, Ambulance		120,000.00	90,000.00	Use of volunteers for all traffic management Reduction of fire, police protection Society unwilling to proceed @ \$90K level
Fireboat		7,500.00	7,500.00	
Communications		12,000.00	12,000.00	
2 Ship Recruitment	\$ 47,000.00			Loss of one or more key attraction ships Recruitment fees significantly below 2002 Insufficient funding
Misc. Printing		5,000.00	5,000.00	
Transportation Planning		20,000.00	12,000.00	Insufficient funding @ \$250K
Crew Shuttles		3,000.00	3,000.00	
Parking Materials		3,000.00	3,000.00	
3 Moorage, floats gangways	\$ 20,000.00	16,000.00	14,000.00	Insufficient funding
Dredging		30,000.00	-	Insufficient funding @ \$250K
Garbage and Waste Manage.		20,000.00	20,000.00	May not be possible due to city agreements
Misc. Supplies		6,500.00	3,000.00	Insufficient funding @ \$250K
4 Paid Entertainers	\$ 40,000.00			Loss of key festival components Insufficient funding
1 Insurance	\$ 10,000.00	20,000.00	20,000.00	Insufficient funding
6 Arrival Ceremony	\$ 3,000.00			Impact on expectations and gov. recognition Insufficient funding
5 Talent Coordinator	\$ 10,000.00			See above - Paid Entertainment
8 Mayor's Reception	\$ 10,000.00			Impact on Sponsor Recognition
7 Crew Party	\$ 10,000.00			Impact on ASTA contract
Equipment		40,000.00	30,000.00	Insufficient funding @ \$250K
Fencing		5,000.00		Insufficient funding @ \$250K
Community Centre Staff		2,000.00	2,000.00	No alternative for funding
Misc. Staff & Equipment		20,000.00	8,500.00	Insufficient funding @ \$250K
Site permit for festival		no charge	no charge	No added cost to city
Borrowing city tent(s) etc.		no charge	no charge	No added cost to city
Power Supply & Distribution		20,000.00	20,000.00	
TOTAL	\$ 150,000.00	350,000.00	250,000.00	

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