



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Economic Consulting Services
Agreement

DATE: June 2, 2021

City Administrator Approval

Date: Jun 7, 2021

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Waiving The Competitive Bidding Process And Authorizing The City Administrator To Amend The Professional Services Agreement With Blue Sky Consulting Group For Economic Consulting Services To Extend The Term Through December 31, 2023 And Increase The Amount By Two Hundred Thousand Dollars (\$200,000) For A Total Contract Amount Not To Exceed Four Hundred Forty-Five Thousand Dollars (\$445,000).

EXECUTIVE SUMMARY

This report seeks City Council authority to amend the professional service agreement with Blue Sky Consulting Group (“Blue Sky”), an Oakland-based public policy and economic analysis consulting firm, with over 16 years of experience specializing in the complex quantitative analyses, including forecasting, econometric analysis, simulation modeling and fiscal impact analyses. The requested authority to amend the agreement would allow for 1) the Administration, on an as-needed basis, to utilize the experience and expertise of Blue Sky in areas directly relevant to forecasting and simulation models on topics to be selected and requested by the Administration; and 2) Blue Sky, on a continuing basis, to provide the services to the Blue Ribbon Equitable Business Tax Task Force (“Blue Ribbon”) to advance the goals of supporting small business and increasing annual revenue under a marginal business tax structure as contemplated by the City Council.

Specifically, the amendment would require Blue Sky to 1) review and make adjustments, if necessary, to the budget-related baseline revenue, expenditures and forecast in preparation for the FY 2022-23 Midcycle budget in the spring of 2022; 2) continue to serve as a liaison to the Blue Ribbon and provide necessary research and analysis as requested by the Blue Ribbon; 3) provide additional research and analysis requested by the Administration and/or the City Council after the Blue Ribbon completes its work but prior to the City Council deciding whether to approve a ballot measure for the November 2022 election; and 4) provide the general support and consulting on local economic forecasting models and methodologies concerning topics to be selected and requested by the Administration.

The amendment will extend the term of the agreement through December 31, 2023 and increase the amount of the agreement by \$200,000, for a total contract amount not to exceed \$445,000.

City Council
June 24, 2021

BACKGROUND / LEGISLATIVE HISTORY

In July 2020, the City Council, on its own motion, adopted Resolution No. 88227 C.M.S submitting to the voters at the November 8, 2022 General Municipal Election an ordinance repealing and replacing the current tax structure to create a progressive, modern, and equitable business tax structure. Included in the adopted resolution were the creation of the Business Tax Blue Ribbon Advisory Commission whose tasks, among others, such as conducting public meetings, are to “review, draft and submit in writing for the City Council consideration [the] recommended business tax rates...by June 30, 2021” and the allocation of \$100,000 towards an economic consultant to provide technical assistance to the commission.

In September 2020, the Finance Department released a Request for Qualifications (“RFQ”) seeking proposals from independent, experienced and qualified individuals or firms interested in providing services in connection with:

- 1) The development of the Five-Year Financial Forecast of revenues and expenditures for each of the Fiscal Year 2021-2022 through FY 2025-26; and/or,
- 2) Analyzing the proposed Equitable Business Tax Update and serve as liaison on behalf of the City’s Finance Department to the Blue Ribbon that is responsible for providing advice and recommendations to the Oakland City Council by June 30, 2021 on how the City Council should revise and modernize the business tax structure.

In December 2020, the City Administrator, as duly authorized under the Oakland Municipal Code Section 2.04.020, entered an agreement for a total compensation not to exceed \$245,000 with Blue Sky, the sole proposer in response to the RFQ. The agreement required that Blue Sky 1) provide economic consulting services related to the development of the Five-Year Financial Forecast for a fixed compensation of \$140,000; and 2) serve as a liaison to the Blue Ribbon Advisory Commission and conduct research and analysis of the proposed business tax rate structure or any variation thereof for a fixed compensation of \$85,000. The agreement included a reimbursement of up to \$10,000 for the purchasing of data or modeling software and an additional \$10,000 in contingency that required written authorization from the Administration.

In January 2021, the City Council adopted Resolution No. 88478 C.M.S, which amended Resolution No. 88227 C.M.S adopted in July 2020, removing a Charter Section 601 Blue Ribbon Advisory Commission and replacing it with the Blue Ribbon Equitable Business Tax Task Force that has the same duties and functions as the previously contemplated Charter section 601 Blue Ribbon Advisory Commission. The amended resolution further directed the Blue Ribbon Equitable Business Tax Task Force to provide analyses and policy recommendations to the City Council of the economic impacts of the recommended business tax rates by October 31, 2021.

ANALYSIS AND POLICY ALTERNATIVES

Given the continued uncertainty surrounding the Covid-19 pandemic and its lingering financial impact that may exceed or fall below expectations, the use of highly experienced professionals specializing in statistical, economic, and public policy research and analysis would only enhance the probability of producing a realistic and achievable budget that the City Council and the public have expected from the Administration. The specific area of research and analysis are in

the review of budget-related baseline revenue, expenditures and forecast in preparation for the FY 2022-23 Midcycle budget in the spring of 2022.

Furthermore, the work of the Blue Ribbon has expanded into areas that required considerable research and analysis, including employment statistics (talent pool, number of employees employed by local businesses, geographic location and occupied square footage of businesses within the City), costs of doing business, costs of business moving, business attraction, business retention, business tax rates imposed by municipalities in the Bay Area and the overall tax burden by local businesses beyond the business taxes, such as Sales Tax, Property Taxes and the like. The expansion of research and analysis required by the Blue Ribbon, coupled with the extension of three-month time, from June 2021 to October 2021, when the Blue Ribbon needs to return its recommendation to the City Council, have effectively expanded the work that was not contemplated under the original agreement with Blue Sky.

In addition to the aforementioned budget review and analysis during FY 2022-23 budget cycle, the expected additional workload requested by the Blue Ribbon, the Administration would like to retain Blue Sky's services to work on selected revenue forecast program or fiscal impact to the budget, such as the recently proposed ballot measure by members of the public that would change the allocation of revenue generated from the cannabis industry from the General Purpose Fund to a special fund known as the "Emerald New Deal Fund."

Based on the forgoing, staff recommends that the City Council authorize amendment of the existing agreement with Blue Sky Consulting Group to extend the term through December 31, 2023 and to increase the amount by \$200,000. The agreement will include the following scope of services:

- Providing the Administration with modifications to the existing revenue and expenditure forecast and alternatives under varying economic conditions during the FY 2022-23 Midcycle Budget; and,
- Continuing providing research and analysis requested by the Blue Ribbon and serving as the liaison on behalf of the Finance Department to the Blue Ribbon to advance the City Council's goals of supporting small business and increasing annual revenue under a marginal business tax structure.
- Providing the Administration and/or the City Council with modifications to the Blue Ribbon's recommended tax structure and alternatives under varying economic conditions as selected and requested by the Administration and/or the City Council.
- Providing the Administration with general support and consulting on local economic forecasting models and methodologies concerning topics to be selected and requested by the Administration.

FISCAL IMPACT

As part of an errata recently added to the Proposed Policy Budget for fiscal years 2021-2023, currently under review by the City Council, staff requested an increase of \$100,000 to the Finance's Department operating budget in each of the two fiscal years contained in the Proposed Policy Budget to pay for the amendment to the agreement with Blue Sky. The appropriation of funds is included in the Proposed Policy Budget for fiscal years 2021-23.

PUBLIC OUTREACH / INTEREST

A formal request for qualifications (RFQ) was released in September 2020 seeking for qualified individuals or firms interested in providing the services discussed in this report. Blue Sky Consulting Group was selected based on its expertise and experience directly related to the work required and outlined in the RFQ. Staff also checked references and confirmed Blue Sky receiving very high favorable ratings from all references. This item will be posted on the City's website for the June 24, 2021 City Council meeting.

COORDINATION

This report has been coordinated with the Budget Bureau and the City Attorney's Office.

SUSTAINABLE OPPORTUNITIES

Economic: Creating a progressive, modern, and equitable business tax structure with the goal of supporting small business and increasing annual revenue under a marginal business tax structure requires individuals or firms with "spot-on" expertise and experience. Blue Sky, an Oakland-based consulting firm principally owned and operated by an Oaklander, is such a firm.

Environmental: There are no environmental opportunities associated with this project.

Race & Equity: Including in the City Council's goal of supporting small businesses and increasing annual revenue under a marginal business tax structure is an equity analysis that could possibly include procedures for using tax policy to repair harms of systemic racism, e.g., targeted tax breaks to businesses or sectors located in neighborhoods in need of services like grocery stores, banks, retail and other investment. Blue Sky's tasks include such research and analysis.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt a resolution waiving the competitive bidding process and authorizing the City Administrator to amend the professional services agreement with Blue Sky Consulting Group for economic consulting services to extend the term through December 31, 2023 and increase the amount by two hundred thousand dollars (\$200,000) for a total contract amount not to exceed four hundred forty-five thousand dollars (\$445,000).

For questions regarding this report, please contact Margaret O'Brien, Revenue & Tax Administrator, (510) 238-7480.

Respectfully submitted,



[Erin Roseman \(Jun 4, 2021 18:52 PDT\)](#)

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