



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Economic & Financial Consulting
Services Agreement

DATE: December 27, 2024

City Administrator Approval


Jestin Johnson (Jan 16, 2025 12:41 PST)

Date: Jan 16, 2025

RECOMMENDATIONS

Staff Recommends The City Council Adopt A Resolution Awarding A Professional Services Agreement To Blue Sky Consulting Group, LLC For Economic Consulting Services For A Term Ending June 30, 2029 For A Total Contract Amount Not To Exceed \$650,000

EXECUTIVE SUMMARY

Staff recommends the City Council adopt the proposed resolution awarding a professional service agreement to Blue Sky Consulting Group, LLC (“Blue Sky”), a certified Oakland-based Small Local Business Enterprise consulting firm specializing in public policy, economic, and financial analysis. Blue Sky has over 20 years of experience in complex quantitative analyses, including forecasting, econometric analysis, simulation modeling and fiscal impact analyses. The requested authority to enter into the agreement would allow the Administration to utilize the experience and expertise of Blue Sky in areas directly relevant to economic forecasting and simulation models on topics to be selected and requested by the Administration; and Blue Sky, on an as-needed basis, to provide services to advance the goals of supporting small business, increasing annual revenue, and assisting the City in the development of short-term and long-term alternatives and strategies to address the structural budget deficit.

, The agreement provides access to expert economists that provide analysis and advice on budget-related baseline revenue, expenditures, and forecast for the next three Five-Year Financial Forecasts and biennial budget cycles covering Fiscal Years (FY) 2025-27, 2027-29, and 2029-31, including midcycle budget amendments in between; and provides the general support and consulting on local economic forecasting models and methodologies concerning topics to be selected and requested by the Administration.

The proposed term of the agreement is through June 30, 2029, for a total contract amount not to exceed \$650,000.

BACKGROUND / LEGISLATIVE HISTORY

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 FY 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 Equitable Business Tax Task Force](#) that was 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 Equitable Business Tax Task Force](#) 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 June 2021, the City Council adopted Resolution [88720 C.M.S](#) waiving the competitive bidding process and authorized the City Administrator to amend and extend the agreement with Blue Sky through December 31, 2023 and increased the amount by \$200,000 for a total contract amount not to exceed \$445,000.

In November 2024, the Finance Department released a new RFQ seeking proposals from independent, experienced, and qualified individuals or firms interested in 1) providing the services for the development of the forecast for the next two Five-Year Financial Forecasts and biennial budget cycles covering Fiscal Years 2025-27 and 2027-29, including midcycle budget amendments in between and 2) providing the general support and consulting on local economic forecasting models and methodologies concerning topics to be selected and requested by the Administration.

The Finance Department placed an advertisement in the Oakland Tribune announcing this contracting opportunity on November 22, 2024 with the submittal deadline of December 11, 2024. The RFQ was also posted on iSupplier, an online portal, for the public to view, download, print and submit responses to this contracting opportunity. There were 27 businesses receiving direct notifications regarding the contracting opportunity. Three of those companies collectively asked more than a dozen questions related to the required tasks, timeline, compensation, etc. All three indicated that they were interested in submitting a proposal. However, Blue Sky was the only company that submitted a proposal.

Based on the RFQ’s evaluation criteria that prioritized the importance in order of the proposer’s expertise, experience and cost and additionally staff’s experience in working with Blue Sky in recent years, including its principals having participated with staff in presenting economic and financial related topics to the City Council, staff has determined the proposal submitted by Blue

Sky meets the City's requirements, and is recommended for the proposed contract.

ANALYSIS AND POLICY ALTERNATIVES

This proposed professional service agreement supports the Citywide priority of a **responsive, trustworthy government** by providing timely and up-to-date financial information, revenue and economic forecasting, econometric analysis, simulation modeling, and fiscal impact analyses allowing decision-makers to be informed of the City's fiscal health, and assisting the City in the development of short-term and long-term alternatives and strategies to address the structural budget deficit. The use of highly experienced professionals specializing in statistical, economic, public policy research and analysis, will support the creation of the realistic and achievable budgets that the City Council and the public expect from the Administration. The specific areas of research and analysis are in the review of budget-related baseline revenues and expenditures and revenue and expenditure forecasting.

As the City continues to face significant fiscal challenges in the foreseeable future along with uncertainty surrounding the economic and financial conditions of the region, the continued use of experienced professionals, such as Blue Sky, will help ensure that financial estimates, as part of strategic fiscal goals to establish a financially stable and sustainable budget, are sound and achievable.

Based on the foregoing, staff recommends that the City Council award a contract to Blue Sky Consulting Group, LLC through June 30, 2029, in an amount not to exceed \$650,000. The agreement will include the following scope of services:

1. Research the current fiscal status and economic environment, budget methods, revenue sources/trends, expenditures allocations/trends, and labor environment, and make expert recommendations to the City's Finance Department relating to the development of a Five-Year Financial Forecast of revenues and expenditures covering FY 2025-26 through FY 2029-30, FY 2027-28 through FY 2031-32, and FY 2029-30 through FY 2033-34¹; and
2. Assist the Finance Department in developing biennial Operating Budget for FYs 2025-27, FYs 2027-29, and FYs 2029-31, with the goal of maintaining current staffing and service delivery²; and
3. Acquire and disseminate information about new or proposed legislation that could affect the City's budget and tax revenues; and
4. Provide as-needed financial or fiscal impact tasks: Blue Sky is expected to provide the City with general support and consulting on local economic forecasting models and methodologies concerning topics to be selected and requested by the City.

¹ According to the Consolidated Fiscal Policy, the Administration is to produce the Five-Year Financial Forecast on a biennial basis and present it to the Finance Management Committee or the City Council in March or April preceding the biennial budget adoption.

² According to the Consolidated Fiscal Policy, the Mayor and the Administration's Proposed Biennial Operating Budget is to be released no later than May 1st.

FISCAL IMPACT

Approval of the proposed resolution awards a contract to Blue Sky Consulting Group, LLC in an amount not to exceed six hundred fifty thousand dollars (\$650,000) to provide economic consulting services for a term ending June 30, 2029. The fiscal impact for the outlined scope of work corresponding to the development of the Five-Year Financial Forecasts and the Biennial Budgets is estimated to be \$595,561. An additional \$54,439 is reserved for as-needed ad hoc analysis services such as revenue projections, and budget adjustments during the contract term. Collectively, the total fiscal impact for the contract is \$650,000.

The proposed contract spending plan and funding sources are outlined in **Table 1**.

Table 1: Contract Spending Plan & Funding Sources

Purpose	Fund	Org	Project	Account	Program	Amount
FYFF and Biennial Budget Services	1010 – General Purpose	08411 – Revenue Admin	TBD	54911 – Contract: Services	IP59 – Financial Management	\$595,561
As – Needed Services	1010 – General Purpose	08411 – Revenue Admin	TBD	54911 – Contract: Services	IP59 – Financial Management	\$54,439
Total Funding						\$650,000

Funding for the first year of the proposed contract (\$255,000) is included in the FY 2024-25 Midcycle Adopted Budget. Funding for future years will be requested as part of budget proposals for the corresponding fiscal years and is contingent on appropriation of funds in the adopted budget. These requests will depend on the availability of funds and require Council approval. **Table 2** provides a summary of the current and anticipated budget requests to support the proposed contract.

Table 2: FY 2024-25 Funding Sources & Future Budget Requests

Fiscal Year	Fund	Org	Project	Account	Program	Amount
FY 2024-25	1010 – General Purpose	08411 – Revenue Admin	TBD	54911 – Contract: Services	IP59 – Financial Management	\$255,000
FY 2025-27	1010 – General Purpose	08411 – Revenue Admin	TBD	54911 – Contract: Services	IP59 – Financial Management	\$190,000
FY 2027-29	1010 – General Purpose	08411 – Revenue Admin	TBD	54911 – Contract: Services	IP59 – Financial Management	\$205,000
Total Funding						\$650,000

PUBLIC OUTREACH / INTEREST

A formal RFQ was released in November 2024 seeking qualified individuals or firms interested in providing the services discussed in this report. This item was posted on the City's website for the January 28, 2025, Finance & Management Committee meeting.

COORDINATION

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

SUSTAINABLE OPPORTUNITIES

Economic: The consultant's work involving reviewing and analyzing new or existing revenue sources and/or controlling or shifting expenditures for the purposes of balancing the budget or eliminating the structural budget deficit will be economically beneficial.

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

Race & Equity: The race & equity analysis has not been done for this project.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends The City Council Adopt A Resolution Awarding A Professional Services Agreement To Blue Sky Consulting Group, LLC For Economic Consulting Services For A Term Ending June 30, 2029 For A Total Contract Amount Not To Exceed \$650,000

For questions regarding this report, please contact Sarah Herbelin, Acting Revenue & Tax Administrator, at (510) 238-4491.

Respectfully submitted,



Erin Roseman (Jan 15, 2025 16:23 PST)

ERIN ROSEMAN
Director of Finance
Finance Department

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